

Eheliyagoda Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 05 April 2013 and the financial statements for the preceding year had been presented on 04 September 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 25 November 2013.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Eheliyagoda Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Eheliyagoda Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following matters are observed.

- (a) Although the value of the fixed deposits belonging to the Sabha was Rs.2,030,000 as at 31 December 2012, the value had been shown as Rs.2,000,000 in the financial statements understating it in the accounts by Rs.30,000.

- (b) While encashing the fixed deposits of Rs.1,000,000 invested in the National Savings Bank, Avissawella on 10 December 2012, the interest obtained thereon amounting to Rs.30,000 had not been accounted for, as interest income of the year.
- (c) A difference of Rs.56,480 was observed while reconciling the actual receipts of trade licences and turnover taxes with the subsidiary registers.
- (d) Although the interest receivable on fixed deposits for the year under review was Rs.95,275, the value had been shown as Rs.200,721 in the final accounts overstating the interest revenue by Rs.105,446.
- (e) The opening balance of the Court Fines Account for the year under review was Rs.2,191,290 and the amount received on behalf of previous years was Rs.4,451,381 and the difference of Rs.2,260,091 had not been adjusted from the Court Fines Account to the Accumulated Fund. Meanwhile, none of the bills for Rs.2,500,000 for the year had been received during the year under review. As a result of not making the adjustments referred to above, the closing balance of the Court Fines Account had become Rs.239,909. Accordingly, the closing balance had been understated by Rs.2,260,091.
- (f) A difference of Rs.178,291 was observed between the aggregated balances of Control Accounts and the aggregated balances of subsidiary registers of 4 items of accounts as at 31 December 2012.
- (g) According to the Register of Stamp Fees, the amount received during the year under review was Rs.8,522,218 and the value had been shown as Rs.8,494,618 in the accounts. As a result, a difference of Rs.27,600 was observed.
- (h) The total loans obtained in instalments from the Local Loans and Development Fund from the year 2010 was Rs.12,962,806. These loans had not been shown as Loan Capital in the Balance Sheet. Further, the balance at the bank of Rs.164,842 with reference to the above loans had been accounted for, as Loan Capital. The interest for the said loans for the year under review amounting to Rs.623,488 had not been debited to the expenditure heads concerned. The said unpaid amount had not been shown under current liabilities.

- (i) As a result of not making provision for expenditure made on 10 occasions during the year under review amounting to Rs.93,679, the expenditure of the year and the balance of creditors had been understated by similar amounts.

1:3:2 Lack of Evidence for Audit

Transactions aggregating Rs.7,091,624 could not be satisfactorily vouched in audit due to non-rendition of necessary information to audit.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure for the year ended 31 December 2012 was Rs.164,609 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.1,004,452.

2:2 Financial Control

- (a) Cheques had been drawn so as to occur overdrafts in the cash book commencing from July 2012. The debit balance as at 31 December 2012 was Rs.1,017,536. The value of 66 cheques which had exceeded a period of 6 months were valued at Rs.376,858 and action had not been taken in terms of Financial Regulation 395(d) of the Republic of Sri Lanka in this regard.
- (b) There was no adequate funds to pay the salaries of employees engaged on casual and contract basis in the institution. As a result, the fixed deposit of No.2-0057-01-43731 for Rs.1,000,000 of the National Savings Bank, Avissawella had been withdrawn and of this a sum of Rs.500,000 had been made use of. This fixed deposit with an interest rate of 12% was to mature on 09 June 2013. As a result of withdrawing it 6 months ahead, an interest of Rs.30,000 alone had been obtained. Accordingly, the Sabha had been deprived of an interest of about Rs.90,000.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairmen, appear below.

Source of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs/'000	Rs.'000
(i) Rates and Taxes	7,954	3,721	5,031
(ii) Lease Rent	4,485	3,601	862
(iii) Licence Fees	1,057	746	75
(iv) Other Revenue	6,714	561	--

2:3:2 Lease Rent

The rents of stalls at the public market belonging to the Sabha had not been properly paid and a case No. 24577 R.E had been filed in this connection. Accordingly, a verdict was given to recover arrears of rent of Rs.69,750 in 10 instalments with reference to the arrears of rent for the period 01 April 2007 to 30 October 2008 due from Stall No. 15. But, action had not been taken to pay Rs.23,011 of the above rent even by 06 November 2012, the date of audit. Action had not been taken again to inform the courts for recovery of the arrears.

2:3:3 Courts Fines and Stamp Fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 appear below.

	Rs.
(i) Court Fees	239,909
(ii) Stamp Fees	2,500,000

2:3:4 Licence Fees

A survey had been carried out with regard to trades and jobs within the area of the Sabha and a report had been prepared. However, issue of licences for 2012 was at a very low level even upto 06 November 2012. According to the register, trade licences had not been issued for 613 jobs and action had not been taken to recover the amount due before trade licences amounting to Rs.227,325.

2:4 Transactions not confirmed by Adequate Authority

Prior approval of the Minister should be obtained for total expenditure exceeding Rs.1,000 per year in terms of Sections 19(1) and 132 of the Pradeshiya Sabha Act, No. 15 of 1987 with reference to any religious, charitable, cultural, health, entertainment, educational or welfare activities. However, the Sabha had not taken such action with regard to the following aid valued at Rs.1,668,905.

	Rs.
Ceiling Sheets	556,200
Kitchen Utensils	223,600
Others	889,105

	1,668,905
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2:5 Irregular Transactions

- (a) During the year 2012, 980 chairs had been purchased by spending Rs.749,700 on 2 occasions without properly calling for open quotations or calling for quotations from registered suppliers.

- (b) An expenditure of Rs.5,606,668 had been incurred even by November 2012 after exhausting the provision under the expenditure head for incurring welfare expenses for voluntary organizations in the authoritative area of the Sabha under the budgetary provision for 2012.
- (c) Two employees had been recruited on daily pay basis to update the register of rates and taxes and a total sum of Rs.182,550 had been paid from 09 September 2011 as day's pay. This is a duty to be performed by the management assistant or a programme assistant as informed by the letter No. CLG 333R of 4 October 2012 of the Commissioner of Local Government and duties cannot be performed on a service agreement. However, employees had been engaged in services and day's pay had been paid, in contravention.
- (d) Fuel allowances of Rs.30,000 had been paid to the people's representatives without confirming whether people's representatives own vehicles, contravening the requirements in the Circular No. 03/2012 of 29 May 2012 of the Commissioner of Local Government.
- (e) Goods and materials valued at Rs.1,012,925 had been distributed during the year under review.

The following observations are made.

- (a) Members' resolutions had not been tabled.
- (b) A register of priorities had not been maintained.
- (c) Institution and persons who could receive material aid, as directed had not been identified.
- (d) Details regarding distribution of materials were absent.

2:6 Operating Inefficiencies

- (a) Forty six employees recruited on casual and contract basis had been engaged in services for a period of 6 months to 4 years. However, action had not been taken to pay contributions of Employees' Trust Fund and Employees' Provident Fund. Action had not been taken to remit the Employees Provident Fund aggregating Rs.532,945 and Employee's Trust Fund aggregating Rs.79,942 for the year 2012 alone.

- (b) Open cheques valued at Rs.1,821,145 had been drawn for salary, loan advances on 24 occasions, contravening the provisions in the Financial Regulation 386(6) of the Republic of Sri Lanka.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Financial Control
- (d) Revenue Administration