

**Kirinda Puhulwella Pradeshiya Sabha**

**Matara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented on 07 May 2013 and the financial statements for the preceding year had been presented on 14 June 2012. The report of the Auditor General for the year under review was furnished to the Chairman of the Sabha on 25 September 2013.

**1.2 Opinion**

In view of the comments and observations appearing on my report, I do not express an opinion on the financial statements of the Kirinda Puhulwella Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following accounting deficiencies were made.

- (a) Even though the value of the library building constructed by the Sabha amounted to Rs.3,458,000, it had been shown as Rs.502,000, thus understanding the valid of lands and buildings by a sum of Rs.2,956,000.
- (b) Even though the value of motor vehicles and carts brought forward in the financial statements for the year under review had been shown as Rs.4,785,810, the brought forward value according to the General ledger amounted to Rs.3,172,605. As such the value of the asset had been understated by a sum of Rs.1,613,205.
- (c) Even though receipt of arrears of lease rent amounting to Rs.7,295,727 had been debited through 04 financial entries, a sum of Rs.1,205,727 only had been recorded in the General Ledger and the difference amounted to Rs.6,090,000.

- (d) Instead of recording the purchases and issues during the year in the General Stores Account, closing balance added to the opening balance of the preceding year had been shown instead of recording the purchases and issues during the year in the Electric Stores Account the closing balance added to the opening balance of the year had been shown as such it was observed and the first in first out method had not been adopted for the issue of stocks.
- (e) Even though the balances relating to all assets, liabilities, revenue and expenditure for the year should be included in the trial balance, revenue amounting to Rs.13,315,407 and expenditure amounting to Rs.13,921,860 had not been included in the trial balance prepared by the Sabha.
- (f) The balance of 10 Control Accounts of the year under review totaled Rs.3,924,440 whereas according to the financial statements, those balances totaled Rs.4,973,159. Thus the difference amounted to Rs.1,048,719.
- (g) The balances of the accounts receivable and payable older than one year as at 31 December 2012 totaled Rs.16,272 and Rs.80,892,641 respectively.

### **1.3.2 Lack of Evidence for Audit**

Transactions totaling Rs.115,343,241 could not be satisfactorily vouched in audit due to the non-submission of the required information.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over the revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.606,453 as against the excess of revenue over the recurrent expenditure for the preceding year amounting to Rs.250,857.

## **2.2 Revenue Administration**

### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review presented by the Chairman is given below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.'000	Rs.'000
(i.)	Rates and Taxes	235	176	51
(ii.)	Lease Rent	1,296	1,206	90
(iii.)	Licence Fees	372	201	171

## **2.3 Irregular Transactions**

- (a) Members allowances amounting to Rs.81,000 had been paid in the year 2012 to three members who had not attended the meetings of the Sabha and the meetings of the Committee without furnishing medical certificates or obtaining leave as required in terms of Rule 3(1)(1) of the Rule in the Notification of the Southern Provincial Chief Minister and the Minister in charge of the subject published in the Gazette Extraordinary No.1413/15 of 05 October 2005.
- (b) The double cab motor vehicle No.SPHF 2440 of the Southern Provincial Ministry of Highways had been used for the official travelling of the Chairman with effect from 20 May 2012. A sum of Rs.434,903 for 3,735.2 liters of fuel and a sum of Rs.71,606 for repairs had been spent for the motor vehicle from the Sabha Fund from 20 May 2012 to 31 December 2012 and the approval of the Sabha for the payment had not been obtained.
- (c) The Chairman of the Sabha is serving as an Agricultural Research and Production Assistant of the Kirinda Puhulwellla Agrarian Service Committee. The approval of the Commissioner General of Agrarian Development in terms of the Circular No.32/91(iii) dated 10 January 2008 of the Secretary to the Ministry of Public Administration and Home Affairs had been obtained to obtain 07 days of leave per month and to attend to the duties of the substantive post of the officer during the balance days.

According to the Advance Programmes and the Work Done Reports submitted by the Chairman to the Agrarian Services Committee it was observed that on certain days he had attended to various activities of the Committee had had irregularly obtained combined allowance amounting to Rs.22,000 stating that he had attended to activities of the Sabha on such days.

- (d) Even though a Procurement Committee had not been appointed in terms of the National Budget Circular No.128 of 24 March 2006 for the purposes of the Sabha. Procurement Committee decisions had not been taken in connection with the purchases valued at Rs.317,254 made in the year under review.

#### **2.4 Operating Inefficiencies**

The following observations are made.

- (a) A sum of Rs.7,215,382 had been reimbursed by the Commissioner of Local Government in the year under review as the salaries of staff and Members' allowances as the expenditure on salaries for the year amounted to Rs.10,244,915 an additional financial burden of Rs.3,029,533 had been caused to the Sabha Fund.
- (b) According to paragraph 05 of the Value Added Tax Circular No.02 dated 16 September 2002 of the Commissioner General of Inland Revenue the tax recovered is a statutory recovery payable to the Commissioner General of Inland Revenue and does not form part of the Local Authority revenue and that the recovering institution is only a legal trustee. Nevertheless, a sum of Rs.876,491 recovered had not been remitted to the Commissioner General of Inland Revenue.
- (c) Six members of the Pradeshiya Sabha including the Chairman and the Vice Chairman had not submitted the Declarations of Assets and Liabilities for the year 2012 in terms of the Declaration of Assets and Liabilities law No.01 of 1975 as amended by the Amendment Act, No.74 of 1988 even up to 28 June 2013.

#### **2.5 Double Cab Motor Vehicle No.LE 7478**

The double cab motor vehicle No.LE-7478 had been received from the Secretary to the Ministry of Local Government and Provincial Councils on 10 January 2008 and had been used for the purposes of the Sabha up to 06 March 2012.

The following observations are made in this connection.

- (a) The motor vehicle had been run for 161,450 kilometers during the period of 04 years 02 months from 10 January 2008 to 06 March 2012 and it had been out of Working Order in less than 05 years. As it had been parked in a place outside the Sabha premises without running for more than one year. It was observed at the physical inspection carried out on 04 June 2013 that the motor vehicle had been totally decayed.
- (b) According to the Handbook of the motor vehicle, it should have been serviced in 17 instances from 4,000 kilometres to 10,000 kilometres by the seller of the motor vehicle. Since the servicing done at 16,000 kilometres on 26 June 2008 it had been run without being serviced as required. In view of that position, the motor vehicle had broken down within a short period of 04 years. Even though the Secretary of the Sabha stated that the motor vehicle is out of working order it had not been confirmed by the Driver or by a test certificate issued by a Mechanical Engineer. Nevertheless, the Examiner of Motor Vehicles, Matara had issued a fitness certificate for the motor vehicle for one year from 09 January 2012 to 08 January 2013.
- (c) Even though the Sabha had, at the meeting held on 28 September 2012, decided to obtain the approval and the assessed value from the Southern Provincials Commissioner of Local Government for inviting bids for disposal as the Sabha is not having the financial capacity to carry out repairs, such approval had not been received issues up to 04 June 2013.
- (d) A sum of Rs.232,930 had been spent on carrying our repairs to the motor vehicle during a period of 03 years from 01 January 2009 to 07 November 2011 without the approval of the Procurement Committee or the Technical Evaluation Committee of the Sabha. In this connection, attention is drawn to Rule 178 of the Pradeshiya Sabha (Financial and Administrative) Rules.
- (e) A corporate Plan for a period of not less than 03 years had not been prepared in terms of the letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance for the achievement of the Vision and Mission of the Sabha.

## **2.6 Internal Audit**

An adequate internal audit had not been carried out. The Audit and Management Committee had not been established and implemented.

**3. Systems and Controls**

The special attention of the Chairman is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management