

Palindanuwara Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 01 April 2014 while Financial Statements relating to the preceding year had been submitted on 23 April 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 29 November 2014.

1.2 Opinion

Due to the importance matters appearing in paragraph 1.3 of this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Palindanuwara Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Although a Cash Flow Statement should be submitted along with the Financial Statements in accordance with the Sri Lanka Public Sector Accounting Standard 02, such a statement had not been submitted.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a.) Three Child Library Tables, twenty Child Library Chairs and one Newspaper Stands valued at Rs.16,500, Rs.29,000 and Rs.14,650 respectively totalling Rs.60,150, purchased on 14 September 2013 had not been capitalized.
- (b.) Provision had been made again during the year 2013 for Creditors amounting to Rs.378,619 already provided in the preceding year. Due to that, expenditure for the year under review and the Creditors balance had been overstated to that extent.
- (c.) Although a total sum of Rs. 2,862,419 had been accounted as amounts payable as at the end of the year under review for 06 Works Projects, amount payable had been Rs. 2,095,613. Due to that, expenditure for the year under review and the Creditors balance had been overstated in a sum of Rs. 766,806.

- (d.) Although advances amounting to Rs. 94,960 given for Literature Function in 3 instances had been settled on 31 December 2013, relevant expenditure relating to that had not been accounted.
- (e.) Value of the cab vehicle amounting to Rs. 3,178,457, received from the Commissioner of Local Government had not been accounted.
- (f.) Although the balance of the Creditors Account in favour of the Agalawatta Pradeshiya Sabah as at the end of the preceding year had been Rs. 6,862,871, it had been recorded as Rs. 8,862,871 in the Ledger at the commencement of the year under review. Due to that, Creditors balance as at the end of the year under review had been overstated in a sum of Rs.2,000,000.
- (g.) According to the Monthly Consolidated Summary, a Receipt of Work Advance amounting to Rs.2,737,000 and according to the Consolidated Expenditure Summary a payment of Work Advances amounting to Rs.2,060,000 had been shown; but, those entries had not been accounted in any account.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2013 had been Rs. 1,388,534 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 2,499,615 in the preceding year. There had been a downfall of Rs.1,111,081 in the financial results for the year under review when compared with the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown 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	2,511	2,191	348
(ii)	Lease Rent	3,636	2,357	279
(iii)	Licence Fees	178	178	-

2.2.2 Lease Rent

While the Lease Rent balance in arrears as at 31 December 2013 had been Rs.258,463, following observations are made in that connection.

- (a.) In terms of the conditions in the agreement relevant to lease of the Sunday Fair, an additional fine of Rs. 5 per day, per each unit of Rs. 1,000 should be paid, when the payment of monthly installment is delayed and if the payment has been defaulted for more than a month, lease should be cancelled without giving any notice. However, action had not been taken accordingly.
- (b.) Although a sum of Rs.390,744 should be recovered as fines , from the lessee for the delayed period in terms of the agreement as at 31 December 2013, a sum of Rs. 34,400 only had been shown in the registers as charges for late payments.
- (c.) Although the Lessee had not paid the Fair Tax duly to the Sabah, it was revealed in audit that the Lessee had recovered taxes in the Sunday Fair regularly.

2.2.6 Court Fines and Stamp Fees

Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were as follows.

	Rs.
Court Fines	2,555,157
Stamp Fees	3,231,587

3. Operating Review

3.1 Improper Transactions

Purchase of 1360 chairs had been made at the rate Rs. 880 per chair having spent a sum of Rs.1,196,800 for distribution among various Agricultural organizations and Societies under the Members' provisions for the year 2013.

Following observations are made in this connection.

- (a.) Prior approval of the Minister had not been obtained for this purchase amounting to Rs. 1,196,800 in terms of the provisions in the Pradeshiya Sabah Act No. 15 of 1987.
- (b.) According to the Register of Inventory, 680 chairs valued at Rs. 598,400 had been received to the Sabha on 03 April 2013 and had been issued on 07 April 2013. It had been stated only that those chairs were given to the relevant societies as requested by the members, without mentioning the individuals who took over the chairs. Out of a further stock of 680 chairs received on 06 December 2013, 200 chairs had been issued and

signatures of the recipients had been obtained only for those issues to support the taking over of those chairs.

- (c.) Out of the 480 chairs not issued according to the Register as at 28 June 2014, date of audit, only a stock of 280 chairs were seen at the physical inspection, while any information were not furnished with to the balance 200 chairs.

3.2 Contract Administration

(a) Construction of a Rubber Processing Center in the Hedigalla Colony

Provisions amounting to Rs. 1,200,000 had been approved on 15 June 2012 for the above work through the Thuru Saviya Fund of the Ministry of Plantations. While a sum of Rs.1,007,920 had been spent for this Group Processing Center constructed in the Hedigalla Colony, contract had been awarded to Thuru Saviya Society in the Hedigalla Colony to be performed under the supervision of the Pradeshiya Sabah. Following matters were observed in the physical inspection carried out with the Technical Office of the Sabah on 30 June 2014 with regard to this Rubber Processing Center.

- (i.) While a sum of Rs. 25,000 had been estimated for 10 hours at the rate of Rs. 2,500 per meter hour to utilize Dozer Machines to construct the road from the main road to the building and removal of obstacle trees, a sum of Rs. 30,000 had been paid in excess of the estimated amount having recommended a sum of Rs. 55,000 for 22 meter hours for the above work according to the final payment report of the Technical Officer dated 08 December 2012.
- (ii.) A sum of Rs. 45,000 had been estimated for the supply of 15 corrugated aluminum sheets of 12 feet long, at the rate of Rs. 3,000 per sheet to replace the damaged corrugated aluminum sheets under item 05 of the estimate. However, a sum of Rs. 45,000 had been spent in excess of the estimated amount, due to payment of a sum of Rs. 90,000 for the purchase of 30 corrugated sheets without mentioning the necessity for purchasing sheets more than the estimated quantity, without revising the estimate.

(b) Construction of the Smoke House in the Group Processing Center of the Thuru Saviya Society in the Hedigalla Colony

The Project for the construction of the Smoke House required for the above mentioned Rubber Processing Center had been awarded to the Thru Saviya Society in the Hedigalla Colony for an agreed commitment of Rs. 1,428,515 out of Thru Saviya Fund, on 02 May 2013. Following matters were revealed in the physical inspection carried out on 30 June 2014.

- (i.) Although provisions for 2 smoke rooms had been allocated by the Director of the Thuru Saviya Fund, on 26 April 2013 according to the recommendations of the

Rubber Research Institute, instructions had been given to construct one smoke room and Sabah had been informed to act accordingly. It was observed at the physical inspection that 2 smoke rooms had been constructed according to plans prepared at the commencement, disregarding the subsequent instructions.

- (ii.) Although a sum of Rs.65,000 had been estimated to fix Kitul Clubs to the trolleys, according to item 25 of the estimate, number of Kitul Clubs to be fixed had not been mentioned. However, it was observed that the full amount of Rs.65,000 had been paid according to the final payment report.

3.3 Time lapsed Deposits

Action in terms of provision in the Financial Regulations 571, 571(2) and 571(3) of the Republic of Sri Lanka had not been taken with regard to Time lapsed Deposits amounting to Rs. 489,938, relevant to the period from the year 1997 to 2011.

3.4 Vehicles Control

While the cab vehicle valued at Rs. 1,319,050 received from the Ministry of Local Government on 11 January 2008 had been handed over to the agents of the vehicle during February 2013 for full repairs, an estimate for Rs. 564,582 relevant to the repairs had been sent by the Company after expiry of 3 ½ months. The vehicle had not been taken back to the Sabah even up to 30 June 2014, time of audit inspection. When this matter was inquired from the Secretary, he informed that verbal instructions were given by the Commissioner of Local Government to auction the vehicle as the repair expenditure is too much. It was observed in audit that, market value of the vehicle would go down further, due to failure in bringing it back to the Sabha during a period of more than one year to auction and allowing the vehicle opened to sun and rain in other institution leading to further corrosion .

3.5 Distribution of Garbage Bins

The Sabah had been provided with 200 Garbage Bins of 20 litres on the basis of payment of 50% of the value, as per instructions given in the letter dated 02 December 2013 of the Assistant Commissioner of Local Government of the Western Province, for distribution on cash basis and free distribution among disabled and low income individuals.

Following observations are made in this connection.

- (i.) The sum of Rs. 33,560 being the 50% of the amount to be remitted to the Assistant Commissioner of Local Government for the Garbage Bins had not been remitted up to 30 June 2014.
- (ii.) While any Garbage Bins had not been distributed even up to 30 June 2014, date of audit and retained those in the stores, National Programme of Garbage Management had not been implemented in the area of authority of the Sabah.

3.6 Stores Control

- (i.) Although all stores item received to the Stores should recorded through Goods Receipts Notes and issues should be made on Issue Orders, in issue of stationery items any Issue Orders had not been used.
- (ii.) Store Receipts and Issue Notes had not been written up for 479 library books purchased for a sum of Rs. 100,000 out of Sabah Funds.

3.7 Un-settled Accounts

Although the accounts had been prepared based on the Receivable balance of Rs. 6,166,799 and the Payable Balance of Rs. 8,862,872 arisen at the time of incorporation of Palindanuwara Pradeshiya Sabha and the Agalawatta Pradeshiya Sabha as two separate units during the year 2006, steps had not been taken settle those balances.

4. Systems and Controls

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

- (i.) Accounting
- (ii.) Budgetary control
- (iii.) Assets Management
- (iv.) Stock Control