

Badalkumbura Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 09 August 2012 and the financial statements for the preceding year had been presented on 13 May 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 20 November 2012.

1:2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Badalkumbura Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Lack of Evidence for Audit

Transactions totaling Rs. 45,677,561 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs. 205,969 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 351,676 for the preceding year.

2.2 Financial Control

Reconciliation of the amounts in the financial statements with the budgeted amounts revealed variances ranging 25% to 459% in respect of 08 items of revenue and variances ranging 63% to 1187% in respect of 06 items of expenditure. Therefore, the budget had not been made use of as an effective tool of control.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	890	178	712
(ii) Lease Rent	190	2,411	-
(iii) Licence Fees	719	613	106
(iv) Other Revenue	1,264	1,665	-

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	460,832
(ii) Stamp Fees	960,969

2.3.3 Revenue from Rent

(a) Sixteen stalls of the Badalkumbura Trade Complex constructed in year 2008 under the provisions of the Ministry of Regional Development had not been acquired as a property of the Sabha in terms of the related Memorandum of

Understanding and action had not been taken to lease out these stalls and had been remained closed up to 15 August 2012.

- (b) Necessary action had not been taken to recover stall rent amounting to Rs. 97,068 due for over a long period in respect of Nakkala weekly fair and 05 stalls.
- (c) Lease rent in arrears amounting to Rs. 113,375 as at 31 December 2011 had not been recovered in respect of the Badalkumbura beef stall.

2.4 Idle Physical Resources

Audit test checks on physical resources revealed that vehicles, machinery and office equipment valued at Rs. 307,000 were lying idle.

2.5 Transactions Not Supported by Adequate Authority

- (a) Five casual Health Labourers, 03 Librarians, a female computer operator and a female Typist had been recruited in contrary to Management Services Circulars No. 28, 28(i),28(ii) and 36 respectively dated 10 April 2006, 26 May 2006, 01 August 2006 and 01 August 2007 and without obtaining the prior written approval of the Commissioner of Local Government in terms of Section 19(1)(i) of the Pradeshiya Sabha Act No. 15 of 1987. Salaries and allowances amounting to Rs. 635,500 had been paid to them from the Sabha funds during the year under review.
- (b) Approval had been given by letter No. 12/අ/15/ප්‍රසා/09 dated 26 August 2010 of the Commissioner of Local Government to pay a fuel allowance of Rs. 1,500 to the Badalkumbura vet vaccinator only for the month in which the Rabis vaccination programme is implemented. But, contrary to this, fuel allowances amounting to Rs. 18,000 had been paid for one year from September 2010 to August 2011.

- (c) Welfare expenses amounting to Rs. 46,388 had been paid at 07 instances without obtaining the written prior approval of the Minister in terms of Section 132(j) and (k) of the Pradeshiya Sabha Act No. 15 of 1987.

2.6 Irregular Transactions

- (a) Although according to Section 2.14 of the Government Procurement Guidelines and Section 2.14.1 of the related manual, at least 05 quotations should be obtained, goods valued at Rs. 222,395 had been purchased by obtaining 03 quotations only.
- (b) Salaries and allowances amounting to Rs. 635,495 had been paid by the Pradeshiya Sabha to an employee attached to the District Textiles Office, Monaragala for the period February 2009 to 31 December 2011.

2.7 Operating Inefficiencies

The following matters were observed.

- (a) There was a delay of 06 to 30 days in handing over to the office the sum of Rs. 151,677 collected at field duty by 03 Revenue Inspectors.
- (b) Employees loans recoverable as at 31 December 2011 amounted to Rs. 1,919,831 and the total of the balances outstanding for over one year amounted to Rs. 1,813,414
- (c) Arrears of revenue, totaling Rs. 22,581,570 as at end of the year under review had not been recovered.

- (d) Necessary action had not been taken in respect of 03 cheques valued at Rs.33,473 deposited in year 2006 but not realized and it had been written –off from the revenue.
- (e) The balance of the cash book as at 31 December 2011 was a minus balance of Rs. 36,726
- (f) Action had not been taken to settle sub-impressts amounting to Rs. 72,800 given at 05 instances.
- (g) Purchases amounting to Rs. 141,940 had not been entered into inventories / stock registers.
- (h) The total of the accounts payable for over one year as at 31 December 2011 amounted to Rs. 814,346
- (j) A complete survey on the property of the Sabha in terms of Rule 203 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988 and a survey on stores items in terms of Rule 214 had not been carried out.

3. Systems and Controls

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration