

**Dambulla Pradeshiya Sabha**

**Matale District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had not been presented to audit even by 30 September 2012 and the financial statements for the preceding year had been presented to audit on 23 May 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 05 November 2012.

**1.2 Comments on Transactions, Operations and Performance**

**1.2.1 Revenue Administration**

**Court Fines and Stamp Fees**

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

	Rs.
(i) Court Fines	4,014,332
(ii) Stamp Fees	1,453,800

**1.2.2 House Rent**

Action had not been taken to recover shanty elimination house rent and government quarters rent amounting to Rs.98,164 outstanding and brought forward from prior to the year 2009.

**1.2.3 Business Tax**

According to Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, a business tax not exceeding 1% of the income of tourist hotels registered at the Tourist Board should be recovered. But, action had not been taken to recover business tax from 03 such hotels in respect of the preceding year.

**1.2.4 Idle and Underutilized Physical Resources**

It was revealed at sample audit checks that 05 items of physical resources valued at Rs.92,580 and 06 items, the value of which had not been computed had remained idle or underutilized.

### **1.2.5 Identified Losses and Damages**

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Board of Survey Reports revealed shortages of 366 units relating to 33 items of goods valued at Rs.341,086 and 57 units relating to 23 items of goods and 823 library books, the value of which had not been computed.

### **1.2.6 Transactions Not Supported by Adequate Authority**

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17 employees had been recruited on substitute basis without obtaining prior written approval of the Commissioner of Local Government in terms of Section 19(1)(1) of the Pradeshiya Sabha Act No.15 of 1987 and salaries amounting to Rs.2,481,283 had been paid from the funds of the Sabha for the period January to December of the year under review.

### **1.2.7 Irregular Transactions**

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The following matters were observed

- (a) Although the prior approval of the Secretary to the Ministry should be obtained in terms of 9:3:1(b) of the Government Procurement Guidelines for repairs to vehicle exceeding Rs.100,000, an estimate of Rs.210,716 had been furnished by a private garage on 06 February 2009 for repairing the cab bearing No.252-6503 without such approval. However, the vehicle had not been handed over for repairs and as such on 18 July 2011 the vehicle had again been referred to the same garage and an estimate for Rs.2,068,408 had been furnished. A sum of Rs.1,875,692 had to be overpaid for the above repairs due to the weak management of the Sabha.
- (b) A sum of Rs.790,936 had been paid for repairing the Motor Grader bearing No.HW1745 and purchase of 06 tyres without calling for bids as required by 3.4 and 6.3 of the Government Procurement Guidelines. According to Section 9.3.1(b) of the said Guidelines, the approval of the Secretary to the relevant Ministry should be obtained for repairs exceeding Rs.100,000. Nevertheless action had not been taken to obtain such approval and to obtain a report from the Inspector of Motor Vehicle to prove that the repairs had been satisfactorily done.
- (c) Although insurance coverage for all vehicles of the public sector should be obtained direct from the National Insurance Trust Fund or Sri Lanka Insurance

Corporation Ltd, in terms of Public Finance Circular No. PF/437 dated 18 September 2009, insurance coverage for 03 vehicles owned by the Sabha had been obtained from another company and a sum of Rs.163,850 had been paid during the year under review.

- (d) Although quotations should be obtained through common competitive bidding procedure or by registered post in terms of 3.4 and 6.3 of the Government Procurement Guidelines, a private vehicle had been used for official travels of the Chairman obtaining 03 hand quotations fictitiously, without entering into an agreement and even without the approval of the Sabha. No document had been obtained in support of the ownership of the vehicle and to ensure that the vehicle has been insured. Further, no evidence had been made available to prove that this vehicle has been used for the Chairman's travel and a sum of Rs.1,602,000 had been paid as vehicle hire charges for the period April 2011 to 18 July 2012. Cheques drawn for payment had been issued after cancelling the crossing and this cannot be accepted in audit.
- (e) The Motor Grader bearing No. CP HW 1745 had been given on hire to outside institutions or persons and action had not been taken to recover hire charges amounting to Rs.880,387 (including VAT) for 319 hours for the period 02 January to 31 December of the year under review. The Motor Grader had been used for most of the works carried out from the General Fund. Although the maintenance cost incurred on the Motor Grader should be deducted in settlement of bills of the respective contractual societies, the total amount of bills had been paid to the contractual societies without making deductions.
- (f) Holiday pay at 1/20 amounting to Rs.4,280 had been paid for 05 days to the Revenue Inspector not coming under the category of staff officers in terms of Paragraph 04 of Chapter viii of the Establishments Code of the Republic of Sri Lanka. Further, a sum of Rs.47,480 had been paid during the year under review as holiday pay to 03 other officers on 15 instances although the details of daily work done had not been submitted.
- (g) Electrical equipment at Rs.156,265 had been purchased through hand quotations without following a common competitive procedure in terms of 3.4 and 6.3 of the

Government Procurement Guidelines and Rules 207 and 208 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988 of the above value equipment valued at Rs.42,165 had not been entered in the register of stock.

### 1.2.8 Contract Administration

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The following observations are made.

- (a) Nikawatana - Evariya Ulpatha bye-road had been constructed at an expense of Rs.490,000 and according to Item No.B-4 of the estimate, the concreting should be 265'x 0'x 9'.0"x 6". However, without revising the estimate or obtaining the approval of the Sabha, 240.3"x9.0"x8 had been concreted. Therefore, 25' of the forward road had not been completed and it was valued at Rs.44,232.
- (b) A sum of Rs.150,000 had been spent to put a gravel layer for 135.57 cubic metres under the reconstruction of Nikawatana - Everiya Ulpatha Keselwatha Road. According to physical check carried out on 22 August 2012, only 126.30 cubic metres had been done thus making an overpayment of Rs.11,960 for 9.27 cubic metres of work not done.
- (c) A sum of Rs.827,176 had been paid to the Samurdi Bank Society, Welangolla during the year under review to fill the Welangolla Pusella Weva bank under the provision of the Jathika Saviya - Gama Neguma. A feasibility study had not been done for this work and action had not been taken to obtain the approval or recommendations from the Department of Agrarian Services or any responsible institution. Further, the construction work had been assigned to the Samurdi Bank Society, instead of a Farmers' Organization. According to the estimate gravel should be layed on the surface of the bank and properly rolled using water. But, it was observed at the physical check carried out on 23 August 2012 that sand mixed soil had been used instead of gravel and it had not been properly rolled and as such, the bank had been washed away on both sides. Payments had been made to fill the bank for a length of 400 metres and according to the physical check, only 307 metres had been filled. Therefore, a sum of Rs.135,898 had been overpaid for 238 cubic metres.

### **1.2.9 Operating Inefficiencies**

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- (a) Action had not been taken to recover balances amounting to Rs.108,059 relating to the period 1988 to 2006 due from 19 deceased officers and those who had vacated posts.
  
- (b) Action had not been taken in respect of lapsed deposits amounting to Rs.993,484 relating to the period 2006 to 2009 in terms of 571(2) and (3) of the Financial Regulations of the Republic of Sri Lanka.
  
- (c) Although ad hoc sub-impressts should be settled immediately after the completion of the respective work in terms of Financial Regulation 371(2) of the Financial Regulations of the Republic of Sri Lanka, advances amounting to Rs.481,972 paid on 08 instances during the year under review had not been settled even by 22 August 2012.
  
- (d) Key functions including writing cheques, writing payment cash book, writing votes registers and maintenance of paid voucher files had been entrusted to a female sanitary labourer of the Sabha; even though there were 07 permanent officers of the Public Management Assistant Service.

### **2. Systems and Controls**

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

- (a) Internal Control
- (b) Financial Control
- (c) Stores Control
- (d) Assets Management
- (e) Contract Administration
- (f) Control over Vehicles.