

Kirinda Puhulwella Pradeshiya Sabha
Marata District

1. Financial Statement

1.1 Presentation of Financial Statements

Financial statements for the year under review had been presented for audit on 25 April 2011 and the financial statements for the preceding year presented for audit on 08 August 2010.

1.2 Opinion

In view of my comments, and observations included in this report, I am unable to express an opinion on the financial statements of the Kirinda Puhulwella Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) Financial statements from the inception to the end of the preceding year had been re-cast and corrected in 2010 by the Sri Lanka Institute of Local Government Due to this opening balances of the year under review were changed. The difference was Rs. 42,149,835 whilst without making corrections affected to the accounts by journal entries revised balances had been stated as opening balances of the year under review.
- (b) Property and Cycle Loans amounting to Rs.670,828 and Rs.39,813 had not been taken into the financial statements respectively.
- (c) Stamp fees receipts and Court fines there should be maintained separately had been maintained in one account.
- (d) Provisions for audit fees for the preceding year had not been provided and audit fees amounting to Rs.60,000 had been provided for the year under review and it had been debited to the dividends on interest and bonus account. Due to this entries of total audit fees payable had been omitted from the creditor's register.
- (e) Two calculating machines valued at Rs.4,400 and three kind of consumable item valued at Rs.2,720 which should be accounted under furniture equipment account and erroneously it had been debited under machinery.

- (f) Charges for cheque books amounting to Rs.3,360 relating to two bank accounts had not been stated as expenditure of the year under review.
- (g) Bowser insurance receipts amounting to Rs.17,452 which to be credited to the other revenue account it had been credited to the stamp fees account.
- (h) Government contribution amounting to Rs.117,304 received for property loans relating to the years 2008 and 2009 had been debited to the court fines and stamp fees account by journal entry No.7.

1.3.2 Unreconciled Accounts

Difference amounting to Rs.12,453,311 had been observed between the value appeared in 12 items of accounts according to the financial statements and value appeared in relevant schedules.

1.3.3 Lack of Evidence for Audit

Nine items of accounts valued at Rs.36,464,671 could not be satisfactorily vouched or accepted in audit due to the non-availability of board of survey reports, documents relating to the ownership and existence, schedules, letters of confirmation, age analysis etc.

1.3.4 Non-compliance

The instances of non-compliances of Laws, Rules, Regulations etc. were observed in audit are given below.

| Reference to the Laws, Rules, Regulations etc. ----- | Non-compliance ----- |
|---|---|
| (a) Pradeshiya Sabha – 1988 (Financial and Administration) Rules ----- | |
| (i) Rule No.145 | A detailed report in respect of each kind of deposit at the end of each year had not been prepared. |
| (ii) Rule No.193 | A statement of explanation for the excess and deficiencies after reconciling actual balances of expenditure items with budgetary and supplementary voted expenditure had not been furnished to the audit. |

(b) Financial Regulations of the
Republic of Sri Lanka

F.R. 396 (d)

Action had not been taken as per Financial Regulation in connection with 04 cheques valued at Rs.10,729 issued but unrepresented for payments which had lapsed over 06 months.

(c) Public Administration Circular
No.08/2005 dated 31 March 2005.

Although government contribution for property loans to be borned by the government, a sum of Rs.83,533 had been borned by the Sabha fund.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented recurrent expenditure over revenue of the Sabha for the year ended 31 December 2010 amounted to Rs.1,463,749 as compared with the expenditure over revenue for the preceding year amounted to Rs.768,568.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Although the Chairman was requested by my letter of 03 March 2011 to present estimated revenue, actual receipts and arrears of revenue relating to the year under review and the preceding year in the specified format, it was ascertained in audit that such information furnished to audit were not accurate. However, according to the statement of with the final accounts the position as at 31 December 2010 compared and summarized with the preceding year are given below.

| Description | Arrears of Revenue | | Increase as a percentage | Decrease as a percentage |
|----------------------------|--------------------|--------|--------------------------|--------------------------|
| | 2010 | 2009 | | |
| | Rs. | Rs. | % | % |
| | ‘000 | ‘000 | | |
| Revenue debtors | 22,783 | 26,529 | - | 14.12 |
| Rates | 329 | 292 | 12.67 | - |
| Average Tax | 94 | 91 | 3.29 | - |
| Court Fines and Stamp Fees | 925 | 183 | 405.46 | - |
| Rent | 1,724 | 1,198 | 43.90 | - |
| Licence Fees | 167 | 164 | 1.82 | - |

2.2.2. Arrears of Rent and Charges

Action had not been taken according to the provisions of Section 158 and 159 of the Pradeshiya Sabha Act. No.15 of 1987 to recover rent and charges amounting to Rs.26,119,140 relating to the year under review and preceding year.

2.2.3 Write off 50% Trade Stall Rent

It had been decided by the Sabha meeting held on 30 October 2010 to write off 50% of the amount assessed for 2009 in respect of 14 trade stalls. This was revealed at audit inspection done in connection with recovery of trade stall rent of the Pradeshiya Sabha.

The following mothers were observed in this connection.

- (a) Although the approval had been sought to write off 50% of assessed amount from the Minister in Charge of the subject on 12 April 2010, the relevant approval was not received even up to the date of audit on 31 May 2011.
- (b) According to the Section 182 of the Pradeshiya Sabha Act a receivable amount could be waived only for the reasons of such as insignificant amount, inability to recovery or poverty of said person. This write, off of stall rent not relating to these instances. Therefore, this waiver is contravening to said provisions of section for the receivable revenue.

- (c) The total recoverable trade stall rent amounted to Rs.1,079,003 with the amount of Rs.363,480 out of 50% stall rent to be recovered from 14 stall rent since 01 January 2009 to 31 December 2009.

2.2.4 Recovery of Advertisement Boards and Visual Environment Fees.

The following matters were observed in connection with the recovery in respect of fees a visual environment and advertisements boards are being displayed.

- (a) Although as per approved By-laws Act for Local Government Institutions No.06 of 1952 and Government Gazette Notice No.1641 dated 12 February 2010 fees had been imposed and fees imposed by General Meeting date 29 October 2010 for the year 2011 the said imposition of fees was not published in the Gazette.
- (b) The physical impaction had been carried out on 02 June 2011 with the Revenue Inspector in respect of permanent Notice boards are being displayed in selected place as a sample and 23 permanent notice boards are being displayed. Receivable amount of Rs.22,630 from these notice boards were not recovered. And also, observed that those notices are being displayed since 2010.
- (c) The amounts of recoveries could not be ascertained due to non-maintenance of revenue register with the notes of recoveries on advertisements.
- (d) Although the fees had been imposed for the following advertisements by a schedule as per proposed Gazette Notice for 2011 and No.1641 Gazette Notice, fees had not been recovered as per said schedule.

- * Large size exhibition boards (cut-out)
- * Exhibition of advertisements by using cloth
- * Exhibition of advertisements by using buildings or walls
- * Small size exhibition boards (cut-outs)

2.2.5 Court Fines

Court fines amounting to Rs.108,667 collected and remitted to Chief Secretary up to 31 December 2010 by Magistrates' Court under the Various Ordinance were receivable by the Sabha.

2.2.6 Stamp Fees

A sum of Rs.278,350 was receivable as at 31 December 2010 from the Registrar General of as Stamp Fees.

2.3 Expenditure Structure

| Item of Expenditure | 2010 | | | 2009 | | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Budgeted | Actual | Variance | Budget | Actual | Variance |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Recurrent Expenditure | | | | | | |
| Personal | 10,869 | 8,092 | 2,777 | 10,597 | 7,910 | 2,687 |
| Environment | | | | | | |
| Others | 4,707 | 2,156 | 2,551 | 3,988 | 2,120 | 1,868 |
| Sub Total | 15,576 | 10,248 | 5,328 | 14,585 | 10,030 | 4,555 |
| Capital Expenditure | 7,577 | 38,386 | (30,809) | 85,345 | 33,588 | 51,757 |
| | 23,153 | 48,634 | (25,481) | 99,930 | 43,618 | 56,312 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

2.4 Approved and Actual Cadre

Information of the approved and actual cadre of the Sabha are shown below.

| Category of Posts | Approved | Actual |
|---|----------|----------------------|
| ----- | ----- | ----- |
| Staff | 01 | 01(Acting Secretary) |
| Secondary | 11 | 12 |
| Primary | 08 | 10 |
| Others (Casual, Temporary Contract, substitute) | - | 16 |

- (i) Although according to the Income and Expenditure Account for the year under review, the staff salaries were Rs.8,378,430 only Rs.6,550,291 had been reimbursed by the Commissioner Local Government. Therefore, a sum of Rs.1,828,139 had to be additionally borne by the Sabha.

- (ii) The recruitment of employees on casual, substitute Government Institutions had been suspended Management Services Circular No.14 and 28 dated 10 April 2006 and 03 January 2002 of the Secretary to the Treasury, 19 employees ad bee recruited during the year under review and a sum of Rs.1,347,187 was paid out of the Sabha fund as salaries in contravening to said provisions.

2.5 Pre-payment

There was a balance of pre-payments amounted to Rs.28,600 as at 31 December 2010.

2.6 Assets Management

2.6.1 Idle and Underutilized Physical Assets

A Kubota hand tractor valued at Rs.79,400 was received from Kamburupitiya Pradeshiya Sabha when vesting assets. This was being decayed as Sabha premises without using.

2.6.2 Staff Loans Recoverable

Staff Loans balances recoverable as at 31 December 2010 amounted to Rs.112,147.

2.6.3 Survey of Stores

The following matters were observed with regard survey report presented for audit for year under review.

- (i) No survey report in connection with lands and buildings plant and machineries, motor vehicles and carts.
- (ii) No action had been taken on 63 quantities of deficiencies belongs to 28 kind of articles and also, 38 quantities of excesses belongs to, 11 kind of articles.
- (iii) Although it had been reported that to correct following short observed through the recommendation of the Boards of Survey. There were no information with regard to the action taken accordingly.

* Non-regulerizing of receipt of library books and making issues.

- * Inability to present for the survey considerable number of books by the responsible officer in every year and also, there were deficiencies of 49 books valued at 2,943.
- * There was no proper building to carry-out library.
- * Although there were equipment for repairs of books, repairs were not attended and prompted to become decay.
- * No proper action had been taken to return the books which were taken away by the readers.

2.7 Operating Inefficiencies

2.7.1 Money to be remitted to the Commissioner General of Inland Revenue

Although stamp fees amounting to Rs.7,562 and value added tax amounting to Rs.217,801 recovered by the Pradeshiya Sabha and to be remitted to the Commissioner General of Inland Revenue and a sum of Rs.225,363 had not been remitted even date of audit on 01 June 2011.

2.7.2 Street Lights Maintenance and Control

The following matters were observed in connection with working of the street lights maintenance and control.

- (i) The purchase to be made through the request for the necessity of the electrical maintenance technician and approval of the technical officer when purchasing electrical accessories for the maintenance of street lights.
- (ii) The rough plan had not been maintained in respect of location of street lights installed. Although street lights had been purchased with a guarantee period and installed, no register was maintained for that.
- (iii) No code system had been used for the easy reference to identify street lights separately maintained within the area of authority of the Sabha.
- (iv) 696 street lights had been installed increase more than approved street lights by Electricity Board, as at date of audit on 02 June 2011.
- (v) The totaled sum of Rs.354,870 had been incurred by the Sabha as a sum of Rs.264,520 for equipment of street lights and a sum of Rs.90,350 for maintenance – Keeper in the year 2010. Only a sum of Rs.12,960 was reimbursed.

2.7.3 Household Compost Vessels Project

Under the Household Compost Vessels distribution Project of the Ministry of Local Government and Provincial Councils had been targeted to distribute 150 vessels. 100 vessels were purchased and distributed in 2007 and 2008 for the amount of Rs.250,000. And also, 50 vessels had been purchased by incurring Rs.60,000 out of that 24 vessels valued at Rs.28,800 were remained at Sabha premises without distribution even date of 02 June 2011.

2.8 Contract Administration

Construction of Kirinda Puhulwella Pradeshiya Sabha Library. 1st stage and 2nd stage (Provincial Specific Development Grants)

For the construction of library of the Sabha under one stage an estimate valued at Rs.2,832,694 and under second state an estimate valued at Rs.1,100,000 were prepared. For the first stage an agreement valued at Rs.1,997,049 with Kirindamagiri upper farmers' Organization on 26 November 2007 and for an agreement valued at Rs.1,060,701 with said Farmers' Organization on 21 June 2010 had been signed. And a sum of Rs.1,715,919 had been paid as work done for the first stage.

The following matters were observed in this connection.

- (i) Although a sum of Rs.333,173 had been over paid by stating more work was done than the agreed limits for the 07 items and approval of the tender board and Sabha were not received for the said overpayment.
- (ii) Although no item had been stated in the agreed work schedule as No.C-31. when making payments a sum of Rs.31,287 was paid in respect of 274.45 Kilogrammes of wires size in 6 m.m. bending and binding for the ground and tower skirting ground under said item.
- (iii) As per condition No.4 of the agreement, the work to be completed by 04 months namely on 26 March 2008. The contract period had got extended up to one year by the contractor by stating reasons such as lack of labourers, heavy rain, difficulty in supply materials of metal and sand etc. the request letters of the contractor, the Sabha date stamp had not been placed, and the letters of period extended recommended were not signed with the dates by the technical officer and the Chairman. Therefore, it was observed that there were no overlines in those requesting letters.
- (iv) The portions of wires had saved for the construction of upper blow of the building and it had been exposed to the elements and being decayed.

- (v) According to the condition No.03 of the agreement signed on 02 December 2010, the work should be completed on 02 March 2011 and the contractor was not requested for time extension. However, relating to 1:2 of the item No.06, fixing 12’x12’ tiles with plastering mixture, as item No.07 fixing glasses thickness with 5 m.m. the G.1 Aluminium frame and separation and these items were not completed even date of audit on 02 June 2011. Liquidated damages amounting to Rs.18,560 for 10 weeks delays to the recovered as per condition No.04 of the agreement.
- (vi) Two agreements amounting to Rs.3,057,750 had been signed for these works under two stages in 2007 and 2010 and a sum of Rs.1,715,919 had been incurred as at 02 June 2011. The work had not been completed so far as such public could not be used this building as a library.
- (vii) Two agreements were signed for the amount of Rs.3,057,750 library building implementing under Provincial Specific Development Grants and a sum of Rs.1,715,919 had been incurred out of the Sabha fund. Although only provision of Rs.1,454,647 was received as 02 June 2011. As such arrears of provision amounted to Rs.1,603,103.

3. Systems and Controls

Special attention of the sabha is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Budgetory Control
- (c) Revenue Control
- (e) Fixed Assets
- (f) Expenditure Control.