

**Matale Pradeshiya Sabha**

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**Matale District**  
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1. Financial Statements

1:1 Presentation of Financial Statements

Financial Statements for the year under review had been presented for audit on 31 March 2011 and the Financial Statements for the preceding year had been presented for audit on 26 March 2010.

1:2 Opinion

In view of the comments and observations appearing in this report I am unable to express an opinion on the Financial Statements of Matale Pradeshiya Sabha presented for audit for the year ended 31 December 2010.

1:3 Comments on Financial Statements

1:3:1 Accounting policies

Stores advance accounting system had not been followed for purchase and issue of stores items.

1:3:2 Accounting Deficiencies

(a) Outstanding trade licence fees as at the beginning of the year under review was Rs. 25,875. This balance and the outstanding trade licence fees for the year amounting to Rs. 21,425 aggregated as accumulated outstanding trade licence fees of Rs. 47,300 and it had been debited to court fine revenue instead of being shown as revenue debtors in the accounts.

(b) Surcharge of Rs. 88,265 relating to rates and Rs. 1,881 relating to acreage tax had been shown as court fine revenue without been shown under other revenue.

- (c) Even though the value of stock of ayurvedic drugs received from the Ayurvedic Corporation as donation should be disclosed in the account, it had not been done. Receipt of drugs during the year under review to the value of Rs. 206,500 and balance stock as at 31 December valued at Rs. 134,035 had not been accounted for.
- (d) Outstanding trade stall rent as at 31 December of the year under review had been understated by Rs. 850 in the accounts.
- (e) According to the completion reports, the value of building constructions as at 31 December of the year under review was Rs. 5,034,446. But it had been accounted for as Rs. 4,213,648 in that a sum of Rs. 820,798 had been understated in the accounts.
- (f) A sum of Rs. 680,000, being the value of 07 blocks of lands belonging to the Sabha had not been accounted for.
- (g) Provision had not been made in the accounts under creditors in respect of pension contribution of Rs. 237,455 payable to the Department of Pension.
- (h) One hundred water meters had been purchased at a cost of Rs. 268,220 and this stock had been capitalized under plant and machineries instead of being debited to stock of stores.
- (i) A sum of Rs. 85,500 spent for land survey had been capitalized.
- (j) Revenue collected in 35 instances in respect of preceding year amounting to Rs. 111,715 had been accounted for as revenue of the year under review in that the surplus of the year under review had been overstated by that amount.

- (k) Provisions had not been made under creditors for expenditure of Rs. 729,511 payable in respect of the year under review in that the expenditure of the year and expenditure creditors had been understated by that amount and surplus of the year had been overstated by same amount.

1:3:3 Unreconciled Control Accounts

According to control accounts relating to an item of account, balance was Rs.393,911. where as according to subsidiary registers, balance was Rs.392,543.

1:3:4 Accounts Payable

The value of accounts payable balances remained for over a period of 01 year as at 31 December 2010 was Rs.1,236,345.

1:3:5 Lack of Evidence for Audit

(a) Unanswered Audit Quires

Replies to 04 audit quires had not been submitted as at 31 March 2011 and the quantifiable value of transactions referred to in those quires was Rs. 8,256,355.

(b) Non-rendition of Information for Audit

Transactions totalling Rs. 4,848,028 could not be vouched satisfactorily due to non-availability of required information to audit.

1:3:6 Non-compliances

The following non-compliances with laws, rules and regulations were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Pradeshiya Sabha Act No.15 of 1987. ----- Section 129 (i)(2)	Even though approval of the Minister should be obtained to open a bank account, 03 bank current accounts had been maintained for the payment of salaries, staff loans and for other payment without approval.
(b) <u>Urban Development Authority Act No. 41 of 1978</u> Section 21	Even though certificate of conformity should be obtained before dwelling in houses constructed on approved plans, certificate of conformity had not been issued for 222 out of 226 building applications approved in the year under review and for 164 out of 175 such application for the year 2009.
(c) Pradeshiya Sabha (Financial and Administrative) Rules – 1988 ----- Rule 5(ii)	Even though the responsibility of the Chairman was to assure that necessary action is taken to insure properties of the Sabha this requirement had not been fulfilled in respect of the three wheeler and 03 motor cycles of the Sabha.
(d) Financial Regulation of Republic of Sri Lanka ----- (i) F.R. 371	Even though ad- hoc imprest granted

should be settled immediately after completion of the work, imprests obtained in 06 instances amounting to Rs. 310,367 had not been settled even after elapse of 03 years, i.e. as at 30 June 2011.

(ii) F.R. 1646

Daily running charts and monthly summaries relating to 03 motor cycles and a hand tractor had not been forwarded for audit, and there had been delays ranging from 01 month to 06 months in forwarding running charts in respect of 07 vehicles for audit.

2.1 Financial and Operating Review

2:1 Financial Results

According to the Financial Statements presented, the revenue of the Sabha over the recurrent expenditure for the year ended 31 December 2010 was Rs.2,083,182 as against recurrent expenditure over revenue for the preceding year was Rs.2,193,019.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Particulars of estimated revenue, actual revenue and arrears of revenue submitted by the Chairman in respect of the year under review and the preceding year are given below.

Revenue Item	2010			2009		
	Estimated	Actual	Accumulated arrears as at 31 December	Estimated	Actual	Accumulated arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	880	913	684	823	822	500
(ii) Lease Rent	686	82	43	63	47	220
(iii) Licence Fees	1,597	1,470	21	1,356	1,330	27
(iv) Other Income	24,284	9,534	8,638	4,794	7,796	4,700

Collection of revenue was at a very low level as 0% to 63% in relation to estimated revenue in respect of 18 revenue items.

#### 2.2.2 Rates

Action had not been taken to recover the arrears of rates amounting to Rs. 491,109 remained as at 31 December 2010, in terms of provisions in section 158(i)(a) of Pradeshiya Sabha Act No. 15 of 1987.

#### 2.2.3 Acreage Tax

Action had not been taken to recover the arrears of acreage tax amounting to Rs. 192,689 remained as at 31 December 2010, in terms of provisions in Section 158(i) of Pradeshiya Sabha Act No. 15 of 1987.

#### 2.2.4 Court Fines

Court Fines amounting to Rs. 1,212,301 recovered by a Magistrate Court up to 31 December 2010 under various Ordinances and remitted to Chief Secretary had remained as receivable to the Sabha.

#### 2.2.5 Stamp Fees

Stamp Fees of Rs. 3,275,280 had remained as receivable from the Registrar General as at 31 December 2010.

### 2:3 Expenditure Structure

Estimated and actual expenditure of the Sabha for the year under review and the preceding year along with the relevant variances are given below.

<u>Item of expenditure</u>	<u>2010</u>			<u>2009</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	'000	'000	'000	'000	'000	'000
<u>Recurrent Expenditure</u>						
Personal Emoluments	15,238	13,148	2,090	13,924	12,460	1,464
Other	10,809	10,517	292	9,339	12,264	(2,925)
Sub Total	26,047	23,665	2,382	23,263	24,724	(1,461)
Capital Expenditure	17,145	54,153	(37,008)	19,040	25,330	(6,290)
Grand Total	43,192	77,818	(34,626)	42,303	50,054	(7,751)

### 2:4 Surcharges

(a) According to surcharges imposed by me against the persons responsible in terms of Section 172(3) of the Pradehiya Sabha Act.No.15 of 1987, the value of surcharges to be recovered as at 31 December 2010 was Rs.36,883.

(b) It is proposed to take surcharge action by me in due course in respect of transaction to the value of Rs. 1,639,825.

### 2:5 Human Resources Management

#### Approved and Actual Cadre

Information relating to approved and actual cadre of the Sabha as at 31 December 2010 is given below.

Category	Approved	Actual
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Staff	01	01
Secondary	15	15
Primary	17	14
Other (Casual/ Temporary)	--	27

2:6 Assets Management

2:6:1 Idle and Underutilized Physical Resources

Audit test check carried out revealed that there had been idled and underutilized vehicles and office equipment to the value of Rs. 484,806.

2:6:2 Accounts Receivable

The value of accounts receivable balances remained as at 31 December 2010 was Rs.9,000,185 and the account balances remained for over a period of 01 year totalled Rs.1,261,060.

2:6:3 Staff Loans Recoverable

Staff loan advance balances to be recovered as at 31 December 2010 totalled Rs.2,526,889 and the outstanding account balances remained for over a period of 01 year totalled Rs.116,469.

2:6:4 Non-moving Current Assets

The value of non-moving assets remained for a period of 01 year as at 31 December 2010 was Rs.951,293.

2:6:5 Assets not Verified

The value of assets not confirmed by physical check / board of survey reports, but taken in to account on book value as at 31 December 2010 was Rs.134,035.

2.7 Irregular Transactions

The following observations are made.

- (a) A sum of Rs. 15,500 had been spent from Sabha fund during the year under review for making a mace for which legal provision had not been made in Sections 19 and 132 of Pradeshiya Sabha Act No. 15 of 1987.



- (b) Allowance of Rs. 66,600 had been paid for the year under review and the preceding year to a lady trainee who had been recruited on the basis of daily allowance without the approval of the Minister and the Commissioner of Local Government.
- (c) A sum of Rs. 116,471 had been paid by voucher No. 474 dated 05 May 2010 in accordance with the Sabha decision taken for the purchase of uniforms for pre-school children for the year 2009 without provisions being made for the year 2010. A sum of Rs. 100,000 from expenditure Head 609(3) – Pre- school Development and Rs. 16,471 from few other Expenditure Heads had got transferred for this purpose. Even though news paper advertisements should be published for purchases in terms of Rule 208 of Pradeshiya Sabha (Finance and Administration) Rules – 1988, such procedure had not been followed and details of distribution of uniforms had also not been forwarded.
- (d) Eight Hundred and fifty letter heads for commencement of a English course and one thousand question papers to check the basic knowledge of children had been printed at a cost of Rs. 2,507. According to the attendance register, thirteen children had only been participated. Daily pay salaries of Rs. 30,593 had been paid to a consultant of the English course by debiting expenditure head 301 and formal authority had not been obtained for the payment of salaries.

## 2.8 **Operating Inefficiencies**

The following observations are made.

- (a) Even though a sum of Rs. 20,000 had been given to an out side lady under allocation for Provincial Council Members for purchase of a balance, 02 knives and a packing box required for self employment for sale of fish, she had not carried out a business on sale of fish. A trade licence had also not been obtained for sale of fish.

- (b) Retention money amounting to Rs. 84,084 deducted from payment bills had been kept in the deposit account without being remitted to the Commissioner General of Inland Revenue.
- (c) Even though 30 G.I roofing sheets valued at Rs. 15,000 had been supplied to Old Dombawela Godahenwatta Integrated Welfare Society under Provincial Council Members Project Aids, this expenditure had not get reimbursed.

## 2.9 Vehicle Repairs

A sum of Rs. 220,000 had been spent on 10 February 2010 in respect of supply and fixing of a repaired engine to the cab bearing No. 252-6529. The vehicle had been inspected by the Depot Engineer Matale, before fixing the engine to the vehicle. According to his report dated 06 March 2009, it had been reported that negligence of the driver had caused for the leakage of oil and untimely failure of the engine.

The depot engineer, Matale had inspected the cab on 25 December 2009 and a certificate had been issued to the effect that the engine fixed to the cab was in good running condition. Nevertheless on a request made by the driver in his letter dated 08 July 2010 to supply spare parts for Rs. 94,490 to fix a new engine to the vehicle that payment had been made on a Sabha resolution, Also vehicle, parts removed had not been returned to the Sabha.

## 2.10 Identified Losses

Physical verification carried out in respect of stock of stores on 25 January 2011 a shortage of 07 items of stores valued at Rs. 28,932 and an excess of 03 items of stores valued at Rs. 7,170 were observed.

## 2:11 Contract Administration

### Delays in the Implementation of Projects

The long delays in the implementation of following projects were observed.

Project	Estimated cost	Date of Commence-ment	Target date for completion	Expenditure Incurred up to 31 December 2010	Reason for the delay
-----	-----	-----	-----	-----	-----
	Rs.			Rs.	
(i) Construction of Walliwela Crematorium	5,964,402	12.07.2010	12.01.2011	2,921,938	Financial crisis of the Sabha and rain.
(ii) Erection of a fence around the compose compound	440,000	12.11.2009	12.01.2010	225,215	Bad weather prevailed.

2:12 **Internal Audit**

An adequate internal audit had not been carried out in the Institution.

2. **Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Internal Control
- (d) Revenue Administration
- (e) Debtors and Creditors Control
- (f) Staff Loan Control