

Matale Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 08 October 2012.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Matale Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Matale Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Defficiencies

The following matters were observed.

- (a) Stamp fees income amounting to Rs. 152,500 received for the year under review had been credited to the accumulated fund instead of being credited to the revenue of the year.

- (b) The Bajaj motor cycle valued at Rs. 79,950 received from the Second Community Water Supply Project and the value of the cab bearing No. 53-4727 which had been taken by the Army and returned back had not been brought to accounts.
- (c) Three garbage collecting carts valued at Rs. 41,462 which were not physically existent at the Sabha as per Board of Survey Report dated 25 July 2012 had been included in the accounts.

1.3.2 Lack of Evidence for Audit

(a) Un – answered Audit queries

Replies to 03 audit queries had not been furnished even by 31 March 2012. The value of quantifiable transactions relating to the audit queries amounted to Rs. 9,274,011

(b) Non – Submission of Information to Audit

Transactions totalling Rs.449,832 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 the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.10,572,165 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,083,182 for the preceding year.

2.2 Financial Control

- (a) The unsettled foreign travel advances amounting to Rs. 327,367 as at 31 December of the year under review included a sum of Rs. 310,367 existing since 2008 and action had not been taken to settle these balances.

- (b) Payments amounting to Rs. 1,291,873 relating to the year under review had been made on 61 uncertified vouchers, contrary to Rule No 99 of the Pradeshiya Sabha (Financial and Administration) Rules of 1988.
- (c) According to the Financial Regulation 371(b) of the Republic of Sri Lanka, the maximum limit of the adhoc advance that can be paid at a time is Rs. 20,000. But, contrary to this, advances totalling Rs.124,000 had been paid on 04 instances during the year under review.
- (d) According to the Financial Regulation 371(2)(c), the advances paid should be settled immediately after the completion of the relevant activity. But, advances amounting to Rs. 310,367 paid on 07 instances from the year 2005 to 2008 had not been settled even as at 26 January 2012.
- (e) The provisions under 07 items of capital expenditure amounting to Rs. 5,700,000 made by the budget for the year under review had been transferred or saved without incurring any expenditure.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the 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	Accumulated Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	930	1,040	641
(ii) Lease Rent	3,681	177	16
(iii) Licence Fees	2,085	2,185	-
(iv) Other Revenue	26,836	30,217	9,227

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 given below.

	Rs.
(i) Court Fines	2,062,431
(ii) Stamp Fees	2,421,315

2.3.3 Water Charges

Water charges outstanding amounting to Rs. 4,743,752 as at 31 December of the year under review included a balance of outstanding water charges amounting to Rs. 2,576,987 due for over a period of 05 years .

2.3.4 Rates and Acreage Tax

Rates and Acreage Tax outstanding as at 31 December of the year under review amounted to Rs. 468,538 and Rs. 172,680 respectively due to action not being taken to intensify recovery of the outstanding rates and acreage tax in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987.

2.4 Idle and Underutilized Physical Resources

Sample audit checks revealed that 17 items of physical resources valued at Rs. 774,590 had remained idle or underutilized.

2.5 Transactions Not Supported by Adequate Authority

32 employees had been recruited on substitute basis without obtaining the 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. 3,956,078 had been paid from the funds of the Sabha for the period January to December of the year under review,

2.6 Irregular Transactions

(a) Purchases and repairs totalling Rs.1,498,204 had been done on 12 instances during the year under review through hand quotations without following a common competitive basis contrary to Sections 3.4 and 6.3 of the Government

Procurement Guidelines and Rules 207 and 208 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988.

- (b) Although no work relating to repairs had been done, an advance of 75% amounting to Rs. 102,946 had been paid to a private company during the year under review for repairs of the J.C.B. Machine without adhering to the provisions in Rule 114 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988.
- (c) A sum of Rs. 210,567 had been paid for repairs to a vehicle on 02 instances during the year under review, without obtaining a report from the Mechanical Engineer confirming that the repairs to the vehicle has been satisfactorily done in terms of the letter No . CPC/CS/9/4/1/6/55 dated 25 July 2002 of the Chief Secretary of the Central Province. Further, a sum of Rs. 577,367 had been spent at 04 instances during the year under review for purchase of vehicle spare parts and tyres where there was no evidence to prove that all the accessories removed while repairing the vehicle and the tyres removed have been handed over to the stores.

2.7 Contract Administration

The construction of Walliwela crematorium which commenced on 10 July 2010 was to be completed on 12 January 2011 at an estimated cost of Rs.6,233,559. However, the work had not been completed even as at 31 December 2011 due to non-receipt of the provision concerned. The cost incurred as at that date was Rs.3,250,893.

2.8 Identified Losses and Damages

According to the Board of Survey Reports for the year 2011, it was observed that there were shortages of 75 library books valued at Rs. 8,769 at the Public Library, Palapathwela owned by the Sabha, and 288 units of inventory goods of the Pradeshiya Sabha Office, the value of which had not been computed.

2.9 Operating Inefficiencies

- (a) Necessary action had not been taken to obtain a sum of Rs. 1,306,000 due to the Sabha from the Central Provincial Council and the Divisional Secretary, Matale in respect of implementation of various development programmes during the period 2001 to 2010.
- (b) 59 creditor balances amounting to Rs. 724,643 relating to the period 2004 to 2009 had not been settled.
- (c) Action had not been taken to recover the outstanding loan balances amounting to Rs. 110,732 due from 08 officers who had retired after serving at the Sabha and from those who had vacated posts.
- (d) According to Section 21 of the Urban Development Authority Act No. 41 of 1978, conformity certificates should be issued for buildings constructed on approved plans. Nevertheless, conformity certificates had been issued for only 05 out of 308 applications approved during the year under review and 06 out of 232 applications approved during the preceding year. Follow-up action had not been taken in respect of applications not attended to.

3. Systems and Controls

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

- (a) Revenue Administration
- (b) Budgetary Control
- (c) Debtors and Creditors Control
- (d) Stock Control