

Pallepola Pradeshiya Sabha
Matale District

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 30 March 2010 .

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 Pallepola Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the Financial Statements of the matters referred to in paragraph 1.3 of this report, the Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Pallepola Pradeshiya Sabha as at 31 December 2010 and the Financial Results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) According to the bank reconciliation statement prepared as at 31 December 2010, there had been 04 cheques to the value of Rs. 1,101,435 and cash balance of Rs. 9,390 in hand without being deposited in the bank. But it had not been disclosed in notes to the balance sheet as cash in officers hand.
- (b) A sum of Rs. 428,000 , being the value of 06 blocks of land belonging to the Sabha had not been capitalized.
- (c) Contribution to Local Government Pension Fund payable as at the end of the year under review amounting to Rs. 672,569 had not been shown as liabilities.

- (d) The balance of the employees securities of Rs. 32,377 as at 31 December of the year under review had not been updated and brought to account.
- (e) Provisions had not been made under works and miscellaneous creditors in respect of unsettled expenditure of Rs. 2,564,565 relating to the year under review.
- (f) Even though a sum of Rs. 852,777 had been shown under contract debtors since the year 2009, in respect of reconstruction of Madipola Road which was expected to execute under provisions of the Department of Highways, the said Contract had not been executed due to non – availability of Provisions. However, action had not been taken to eliminate this from accounts.

1.3.2 Unreconciled Control Accounts

According to the control accounts relating to 02 items of account, balances totalled Rs. 37,972,663 whereas according to subsidiary registers/ reports the account balances totalled Rs. 37,201,221.

1.3.3 Accounts Payable

The value of accounts payable balances remaining for over a period of 01 year as at 31 December 2010 was Rs.2,113,794.

1.3.4 Lack of Evidence for Audit

(a) Unanswered Audit Queries

Replies to 04 audit queries had not been submitted as at 31 December 2010 and the quantifiable value of transactions referred to in those queries was Rs. 1,439,957.

(b) Non-rendition of Information for Audit

Transactions totalling Rs.2,251,132 could not be satisfactorily vouched in audit due to non -availability of required information for audit.

1.3.5 Non-compliance

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

Reference to Laws, Rules,
Regulations and Management
Decisions

Non-compliance

(a) Pradeshiya Sabha Act No. 15

of 1987 .

(i) Section 132(j)

An expenditure exceeding rupees one thousand for a year could be incurred on account of civic receptions or other activities or occasions of common interest with prior sanction of the Minister in writing. Nevertheless expenditure of Rs. 40,656 had been incurred in 06 instances without such approval.

(ii) Section 170

Provisions of Rs. 335,378 had been transferred within heads of expenditure during the year under review without the approval of the Chairman.

(b) Pradeshiya Sabha (Finance and Administration) Rules - 1988

(i) Rule 99

Even though certification of all paid vouchers should be done by the Chairman, or Vice Chairman if he is authorized to do so, 05 vouchers to the value of Rs. 11,233 relating to the year under review had been paid without such certification.

(ii) Rule 115 and F.R.237 (b)

It should be confirmed by a certificate to the effect that stores items purchased had been received in stores and entered in the stock book. However, payment of Rs. 77,130 had been made by voucher No. 1267 of 31 December 2010, before stores items are received.

(iii) Rule 208

Supplies and services as far as possible should be done through public competition and if the value of services exceeds Rs. 50,000, news paper advertisements should be published. However, action had not been taken accordingly in respect of purchase of tyres to the value of Rs. 74,600 and the purchases concerned had been done.

(c) Urban Development

Authority Act. No. 41 of

1978

Section 21

Even though certificate of conformity should be issued for approved housing constructions, out of 53 building applications approved in the year under review for 05 and out of 46 building applications approved in the preceding year for 02 such certificates had only been issued. Even follow up action had not been taken with regard to the balance applications.

(d) Inland Revenue Act No. 10 of

2006

Section 153

Withholding Tax of 5 % should be recovered and remitted to the Commissioner General of Inland Revenue when making payment for purchases exceeding Rs. 50,000. Nevertheless action had not been take to recover tax of Rs. 3,856 in respect of purchase of electrical equipment to the value of Rs. 77,130.

(e) Financial Regulations of

Democratic Socialist

Republic of Sri Lanka

F.R. 1646

Running charts of the three wheeler, tractor and hand tractor of the Pradeshiya Sabha had not been forwarded for audit in respect of 09, 04 and 12

months respectively.

(f) Circular No. 01/2001 dated 17 July 2001 of the Provincial Commissioner of Revenue

Paragraph 3.1

Even though 1% of Turnover Tax should have been deducted from the total selling price of stationary purchased and remitted to the Provincial Commissioner of Revenue, Turnover Tax of Rs. 752 had not been deducted in respect of purchase of stationary for Rs. 75,208 and remitted accordingly.

(g) Circular No. මහ/ප්‍රා/කො/ව/2006/3/1 dated 09 June 2006 of the Commissioner of Local Government

Even though mileage for motor cycles could be paid subject to a maximum of 06 half days combined allowance and 200 miles for technical officers, allowance of Rs. 1,313 had been paid in addition without proper authority.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 was Rs. 2,574,428 and the corresponding revenue over the recurrent expenditure for the preceding year was Rs. 2,162,499.

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.

Items of Revenue	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	301	319	267	270	231	39
(ii) Lease Rent	407	387	10	505	427	78
(iii) License Fees	511	559	10	551	440	111
(iv) Other Income	15,555	16,203	4,604	2,176	2,486	-

2.2.2 Rates

- (i) Action had not been taken to recover arrears of rates amounting to Rs. 267,051 in terms of section 158(i)a of Pradeshiya Sabha Act No. 15 of 1987.
- (ii) Revision of rates had not been done even after a lapse of 7 years even upto 31 December of the year under review from 01 January 2004, the date on which last revision of rates had been done.

2.2.3 Court Fines

Court fines of Rs. 229,415 recovered by a Magistrate Court under various Ordinances and remitted to the Chief Secretary as at 31 December 2010 had remained as receivable to the Sabha.

2.2.4 Stamp Fees

Stamp fees of Rs. 3,476,737 had remained as receivable from the Registrar General as at 31 December 2010. This included fees amounting to Rs. 819,357 carried forward from the year 2002.

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.

Item of Expenditure	Budgeted	2010		2009		Variance
		Actual	Variance	Budgeted	Actual	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<u>Recurrent Expenditure</u>						
Personal Emoluments	10,243	10,292	(49)	10,788	9,878	910
Other	4,970	4,602	368	5,452	3,972	1,480
Sub Total	15,213	14,894	319	16,240	13,850	2,390
Capital Expenditure	11,550	40,617	(29,067)	11,000	7,186	3,814
Grand Total	26,763	55,511	(28,748)	27,240	21,036	6,204

2.4 Human Resources Management**Approved and Actual Cadre**

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

Grade	Approved	Actual
Staff	01	-
Secondary	16	15

Primary	14	13
Other (Casual/ Temporary)	-	09

2.5 Assets Management

2.5.1 Idle and Underutilized Physical Resources

- (a) Audit test checks carried out revealed that idle and underutilized vehicles and office equipment valued at Rs. 814,150 had physically existed.
- (b) Two telephone bill machines and a cash meter (DIGICOM) had been purchased for Rs. 73,000 and Rs.20,000 respectively for the Sanniwedana Piyasa project – 2007 But, activities of this project had been stoped with effect from 25 September 2009 and as such these machines had been stored without being used at all.

2.5.2 Accounts Receivable

The value of accounts receivable balances as at 31 December 2010 was Rs. 18,572,249 and the account balances remaining for over a period of 01 year totalled Rs. 1,041,551.

2.5.3 Staff Loans Recoverable

Staff loan advance balances to be recovered as at 31 December 2010 totalled Rs. 1,574,866 and the outstanding account balances remaing for over a period of 01 year totalled Rs. 200.

2.5.4 Non – moving Current Assets

The value of non – moving assets remaining for over a period of 01 year as at 31 December 2010 was Rs. 140,129.

2.6 Irregular Transactions

Goods and Services Tax of Rs. 9,274 recovered during the period 1999 to 2002 and stamp fees collected during the period January to December 2010 amounting to Rs. 6,350 had been kept in the deposit account without action being taken to remit to the Commissioner General of Inland Revenue.

2.7 Contract Administration

The following observations are made.

- (a) Even though 59 concrete poles had been purchased in 02 instances spending a sum of Rs. 26,475 for erecting a fence around the Homapola cemetery, those poles had not been used for the purpose concerned even as at 25 May 2011.
- (b) A sum of Rs. 16,390 had been overpaid to a private institution considering the basis of number of hours only, without considering the Prices of the District Price Fixing Committee Reports for digging of 02 garbage pits using J.C.B. machine.

2.8 Operating Inefficiencies

- (a) Action had not been taken to get reimbursed the travelling expenses of Rs. 600 paid to a former Secretary for participating in a training class for election in the year 1999.
- (b) Even though there had been outstanding license fees of Rs. 40,150 and miscellaneous debtor balances of Rs. 37,500 continued to carry forward from more than 10 years ago for which details could not be ascertained, action had not been taken to recover these balances or to write off from books properly.

2.9 Internal Audit

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

3. Systems and Controls

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

- (a) Revenue Administration
- (b) Stores Control
- (c) Debtors and Creditors Control
- (d) Assets Management