

Pallepola Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 02 April 2012. The report of the Auditor general for the year under review was issued to the Chairman of the Sabha on 30 July 2013.

1.2 Opinion

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Pallepola Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Provisions had not been made in the accounts under creditors in respect of payments amounting to Rs.1,805,235 made during the year 2013 relating to the year under review.
- (b.) The value of 08 plots of land amounting to Rs.470,000 had not been capitalized.
- (c.) The value of the back deck of the cabin of the cab and 15 door locks totaling Rs.1,442,310 had been brought to account as recurrent expenditure, instead of being accounted under capital expenditure.
- (d.) The value of the concrete mixing machine received from the Ministry of Disaster Management during the year under review had not been computed and brought account.

1.3.2 Unreconciled Control Accounts

The total of the balances of 03 items of accounts as per control accounts amounted to Rs.30,994,608 and the total of the said balances as per subsidiary registers and records amounted to Rs.9,312,091. Therefore, a difference of Rs.21,682,517 was observed.

1.3.3 Lack of Evidence for Audit

(a.) Un-answered Audit Queries

Replies had not been furnished for 02 audit queries even by 31 May 2013. The value of quantifiable transactions relating to the audit queries amounted to Rs.279,250.

(b.) Non-submission of Information to Audit

Transactions totaling Rs.2,526,348 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 recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.1,542,074 as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,937,283 for the preceding year.

2.2 Financial Control

The following observations are made.

(a.) The entire provisions totalling Rs.818,000 relating to 14 items of expenditure had been transferred to other items of expenditure due to provisions being made without proper identification of requirements.

(b.) Action had not been taken to invest in a more beneficial manner, the bank balance of Rs.270,553 kept in a normal savings account at the Peoples Bank since 1996.

2.3.3 Licence Fees

Action had not been taken even by 31 December of the year under review to recover the trade licence fees amounting to Rs.49,739 in arrears since prior to year 2002.

2.3.4 Court Fines and Stamp Fees

Money receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 are shown below.

	Rs.
(i.) Court Fines	1,239,750
(ii.) Stamp Fees	2,751,842

2.4 Idle and Underutilized Physical Resources

- (a.) Sample audit checks revealed that 09 units of assets valued at Rs.1,021,350 and 05 units of assets of which the value cannot be computed were lying idle or underutilized.
- (b.) The concrete mixing machine received by the Sabha from the Ministry of Disaster Management in February 2012 had been lying in the Sabha premises exposed to the elements of nature without being used for any effective purpose

2.5 Transactions Not Supported by Adequate Authority

According to Section 19(1)(1) of the Pradeshiya Sabha Act No.15 of 1987, the approval of the Commissioner of Local Government should be obtained to create a post and to fix the salary. Nevertheless, 16 employees had been recruited without obtaining such approval and salaries amounting to Rs.2,329,796 had been paid during the year under review.

2.6 Operating Inefficiencies

The following observations are made.

- (a.) According to Section 5 and 6(1) of the Housing and Town Development Ordinance (Chapter 199) as amended by Act No.53 of 1954; conformity certificates should be issued after completion of the buildings constructed on

approved plans. However conformity certificates had not been issued for 114 out of 123 building plan applications approved in the years 2010, 2011 and 2012.

- (b.) Although purchases should be made by following competitive bidding procedure in terms of Rule No.207 and 208 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988 and Paragraphs 1:4, 3:4 and 6:3 of the Government Procurement Guidelines; goods to the value of Rs.564,795 had been purchased at 05 instances on hand quotations, without being followed the above procedure.
- (c.) Action had not been taken in terms of Financial Regulation 571 of the Republic of Sri Lanka in respect of lapsed deposits amounting to Rs.196,862 brought forward since the year 2005.
- (d.) Although the officers of the staff of the Sabha including the Chairman had obtained transport facilities from the private vehicle owners at 13 instances for various travels spending a sum of Rs.96,786; letters of calling and the attendance certificates had not been furnished to audit to ensure the said travels were duty travels.
- (e.) Action had not been taken even by 31 December of the year under review to settle the debtors and creditors amounting to Rs.1,004,051 and Rs.569,558 respectively relating to the period from 2002 to 2009.
- (f.) The Pre-school building and the Millwana Library building owned by the Sabha had been given on rent and lease during the year 2011. But, action had not been taken to recover the rent in arrears amounting to Rs.39,800 from the year 2011 to 31 December of the year under review or to take action in terms of the agreements or to take any other suitable action.

2.7 Solid Waste Management

It was observed that the daily collection of waste from the area of authority of the Sabha is dumped to a land named Ellepola Watta situated within the area of the Sabha and covered by soil. Therefore it was observed that a methodical procedure is not being followed for disposal of waste and the Sabha had not taken action towards a recycling program.

