

Pelmadulla Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 27 February 2013 and the financial statements for the preceding year had been presented on 28 February 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 28 January 2014.

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 Pelmadulla Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following deficiencies were observed.

- (a) The vehicle No. PD 7614 acquired under hire purchase scheme during the year under for Rs.6,670,000 had been capitalized. But, the sum of Rs.8,453,563 to be credited to the Hire Purchase Creditors Account had not been credited. The initial payment of instalment of Rs.2,500,000 to be debited to the Creditors Account and the hire purchase instalment of Rs.699,856 paid had not been debited.
- (b) The entire interest relating to the value of the property obtained on hire purchase facility should be computed and the value should be debited to the Suspense Interest Account and credited to the Creditors Account. Meanwhile, the share of interest of Rs.443,000 relating to the accounting year should be deleted in the Income and Expenditure Account. However, such adjustment had not been made.

- (c) According to the account of 4 various ledger accounts, a difference of Rs.262,544 was observed between the receipts of the year under review and the subsidiary registers.
- (d) The interest of Rs.32,040 receivable for the fixed deposits of the National Savings Bank during the year under review had not been accounted for as revenue.
- (e) The opening balance of the ledger account relating of the stamp fees of the year under review was Rs.8,039,329. The stamp fees received during the year under review on behalf of the previous year was Rs.12,141,570. Accordingly, receipts exceeding the debtors balance of Rs.4,102,241 should have been credited to the Accumulated Fund. However, the stamp fees had been credited to the Debtors' Account in contrary. As a result, the balance of that account at end of the year had been understated by similar account.
- (f) The difference observed between the Control Account and the subsidiary register with reference in 6 terms of accounts as at end of the year under review was Rs.20,262,638.

1:3:2 Lack of Evidence for Audit

Transactions aggregating Rs.14,521,996 could not be satisfactorily vouched in audit due to non-rendition of necessary information for audit.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.341,861 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.10,420,519.

2:2 Bank Accounts

The following matters were observed.

- (a) Action had not been taken in terms of Financial Regulation 396(d) of the Republic of Sri Lanka with regard to 7 cheques valued at Rs.56,539 which had exceeded a period of 6 months from the dates of issue as at 31 December 2012.
- (b) Action had not been taken in terms of provisions in Financial Regulation 189 of the Republic of Sri Lanka with regard to six dishonoured cheques totaling Rs.35,470.
- (c) Follow up action had not been taken to rectify cheques totalling Rs.533,854 and received at the Sabha during 2003, 2004 and 2007 which had not been credited in the bank account.
- (d) The bank balance of the cash book had been understated by Rs.18,851 from 1993 to 2009 due to various computation errors. Action had not been taken to rectify it.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as furnished by the Chairman, appear below.

	Source of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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		Rs.'000	Rs.'000	Rs.'000
(i)	Rates and Taxes	1,761	545	3,587
(ii)	Lease Rent	1,536	1,265	365
(iii)	Licence Fees	915	813	3
(iv)	Other Revenue	5,253	12,503	--

2:3:2 Court Fines and Stamp Fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 is shown below.

	Rs.
(i) Court Fines	10,407,062
(ii) Stamp Fees	697,759

2:4 Surcharges

It is proposed to take activities regarding surcharges amounting to Rs.673,045 relating to previous years against off the officers responsible in terms of provision in the Pradeshiya Sabha Act, No. 15 of 1987.

2:5 Idle and Under Utilized Physical Resources

The following observations are made.

- (a) The concrete mixing machine purchased in 2007 for Rs.245,000 had become inoperative in 2010. But, it was left to idle in the premises of the Sabha without taking action to prepare it and to earn income for the Sabha by allowing it on hire or to auction it had been revenue for the Sabha, if it cannot be repaired.
- (b) A water browser had been purchased in 2012 for Rs215,000. But, it remained parked without any services being carried out by the browser.

2:6 Irregulars Transactions

The following observations are made.

- (a) A sum of Rs.68,500 had been paid for travelling and substance allowances of the Chairman from the funds of the Sabha during the period January to September of the year under review. The duties carried out had not been confirmed and imitations to attend meetings had not been furnished, contravening the

requirements of the Circular No. ප (සංශෝධන)/2009/ලේඛවක්‍ර/කො.පා. of 22 December 2009 issued by the Commissioner of Local Government. It was unable to be satisfied in audit whether there payments relate to directly connected with duties.

- (b) Open cheques for Rs.465,720 had been drawn on 15 occasions contravening the requirements of the Financial Regulation 386(6) of the Republic of Sri Lanka.

2:7 Control Over Vehicles

- (a) The number of kilometres travelled as per kilometres had not been marked in the running charts of two cabs bearing No. LF 4824 and PD 7614. The balancing of fuel had been done on self-valuation made by drivers. The usage of 6735 litres of fuel valued at Rs.776,110 purchased during the year under review could not be satisfied in audit.
- (b) Payments for 2326 litres of fuel valued at Rs.273,253 had been made with being certified that entries had been made in remaining charts.
- (c) It was observed at audit test checks that there was a shortage about 70.35 litres of fuel valued at Rs.8,110 while balancing the fuel in the running charts of cabs bearing No. LF 4824 and PD 7614.
- (d) The double cab should be purchased under hire purchase by following the procurement procedure as per instructions of the Commissioner of Local Government. However, contravening it, a double cab valued at Rs.6,670,000 had been directly purchased from private institution during the year under review.

2:8 Cabinet Administration

- (a) A sum of Rs.954,000 had been allocated under the Provincial, Road Infrastructure Facilities Development Programme and an agreement had been entered with an approved society for construction of side bridge via the Kehelbaddara Ela. The work was over on 29 December 2011 and the final payment made as Rs.511,193. During the rainy season the water overflow the bridge and as such the soil get washed away so as to slow as to show the bottom of the side bridge and this was observed at the

physical verification carried out on 30 November 2012. It was further observed at the physical verification that instead of constructing a bridge with steps so that the water could flow down, the construction concerned had been made by utilizing huge pipes of 3 ft. circumference and this was the major reservoir for the damage. The proper existence of the bridge had been adversely affected due to this. Meanwhile, a sum of Rs.24,359 had been paid to spread soil on the surface and to tighten it under work item No.09. But, due to the said condition a portion of the soil spread on the surface of the bridge had been completely washed away.

- (b) The entitlement of 01 hectare land belonging to the Neelagama Estate where the Water Management Center was to be constructed had not been confirmed. Instead, the construction work was in progress.

2:9 Operating Inefficiencies

The following matters were observed.

- (a) None of the provision of Rs.75,500 relating to Expenditure Head 09 had been spent.
- (b) A procedure to frame bye-laws to park three wheelers and to obtain monthly/annual revenue for the Sabha had not been implemented. However, a sum of Rs.26,500 had been spent to prepare a named board and an emblem for this purpose.
- (c) Rates and taxes, trade licences and business tax amounting to Rs.376,776 collected on 49 occasions by the Revenue Collecting Officer had been remitted to the Sabha after a delay of 2 to 27 days contravening Financial Regulation 177(1) of the Republic of Sri Lanka.
- (d) Action had not been taken to recover the sum of Rs.312,066 due from officers of the Sabha who had gone on transfers.

3. **Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contract Administration