

Pallepola Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 27 May 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 27 November 2014.

1.2 Opinion

It was not possible for me to obtain adequate and appropriate audit evidence, due to important matters referred to in paragraphs 1.3.3, 1.3.4, and 1.3.6 in this report to express an opinion. Accordingly, I do not express an opinion on these financial Statements.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial Statements had not been prepared in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3.2 Accounting Policies

Accounting Policies adopted in preparation of the financial statements had not been disclosed with the financial statements.

1.3.3 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a.) While the sum of Rs. 3,646,467 spent for building development and the value of office equipment amounting to Rs. 46,116 had not been capitalized, value of block of land in 27.9 perches in extent in the Hapugasyayalanda Estate had not been assessed and taken to accounts.

- (b.) The capital expenditure of Rs. 1,440,000 incurred for repairing the Cab Vehicle belongs to the Sabha had not been adjusted in the Motor Vehicles and Carts Account.

- (c.) While revenue amounting to Rs. 45,636 received for the ensuing year had not been accounted as income received in advance, estimated revenue of Water Charges amounting to Rs.1,882,394 had been shown in the General Deposits Account.

- (d.) A difference of Rs. 38,032 was observed between the balance of Property, Plants and Equipment Account and the Contribution from Revenue to Capital Outlay Account.

- (e.) A Cash Flow Statement and a Statement of Changes in the Net Assets had not been furnished along with the Financial Statements for the year under review.

1.3.4 Un-reconciled Control Accounts

A difference of Rs. 18,073,820 were observed between balances totalling Rs. 29,983,481 relating to 06 Items of Accounts and the balances shown in the relevant subsidiary registers and reports

1.3.5 Accounts Receivable and Payable

Following matters were observed.

(a.) Accounts Receivable

While the total of 06 balances of Accounts Receivable as at the end of the year under review amounted to Rs.379,404, a balance that had elapsed more than 05 years amounting to Rs.103,505 had been included therein.

(b.) Accounts Payable

While the total of creditors balances payable as at 31 December 2013 amounted to Rs.23,269,674, balances relating to a period between 02 and 05 years amounting to Rs.1,275,753 and balances that had elapsed more than 5 years amounting to Rs.38,150 were included therein.

1.3.6 Lack of evidence for audit

Transactions totalling Rs. 29,659,974 could not be satisfactorily vouched in audit, due to non-submission of required information.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

**Reference to Laws, Rules, Regulations
etc.**

Non-compliance

(a.) Pradeshiya Sabha Act No. 15 of 1987

(i.) Clause 126 (h)

- Income amounting to Rs. 46,500 had been earned from Vehicle parks without making bylaws.

(ii.) Clauses 126(vii)(f), 126 (xxx) and Letter No. CL/10C/01/11 dated 13 June 2011 of Secretary to the Ministry of Local Government and Provincial Councils

- Charges had not been recovered for large Advertisement Boards displayed in the area of authority

(iii.) Clauses 132(j) and (l)

- While expenditure amounting to Rs.55,000 had been incurred without approval of the Minister, 205 litres of fuel for Rs. 33,131 had been provided out of Sabha funds for using Chairman's private vehicle.

(b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i.) Financial Regulation 104(i)

- Action had not been taken with read to the cab vehicle got caught to fire belongs to the Sabha.

(ii.) Financial Regulations 571 and 572

- Action had not been taken with regard to 12 Deposit balances totalling Rs. 447,575 that had elapsed more than two years.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.1,981,960 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,542,074.

2.2 Analytical Financial Review

According to the Financial Statements presented, the balance of 1,510,329 in the Accumulated Fund at the end of the year under review and the balance of Rs. 1,548,361 in the Working Capital had taken a minus value.

2.3 Revenue Administration

2.3.1 Lease Rent and Water Charges

Lease Rent balances totalling Rs.59,570 and Water Charges Income amounting to Rs.1,321,232 were outstanding to be recovered as at the end of the year under review.

2.3.2 Court Fines and Stamp Fees

A sum of Rs. 198,854 on account of court fines and a sum of Rs.4,259,267 on account of stamp fees were due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Operational Inefficiencies

Following matters were observed.

- (a.) Although there had been a shortage of 15 items of inventory goods valued at Rs.79,501, any action had not been with regard to that.

- (b.) Extent of distance travelled recorded in the running charts of the Cab Vehicle belongs to the Sabha had not been confirmed by placing the signature of the officer who used the vehicle.

- (c.) While a building belongs to the Sabha had been given without recovering any charge, for conducting a pre-school, two outside individuals had been allowed to construct a building in another land belongs to the Sabha without Approval of the General Sabha.

3.2 Idle/Under-utilized Assets

Four units of assets valued at Rs. 957,400 and a unit of assets value of which could not be assessed remained idle.

4. Accountability and Good Governance

4.1 Internal Audit

While an Internal Audit Methodology had not been in operation in terms of Rule 5(7) of the Set of Rules (Financial and Administration) of 1988, Audit and Management Committees too had not been established.

4.2 Budgetary Control

While expenditure had been incurred exceeding the Limits of Provisions in the Estimate under two Items of Expenditure by 142 Percent and 768 Percent respectively without obtaining proper approval, the entire provision of Rs. 682,750 estimated under 10 Item of Expenditure had been saved. While savings of provisions under 15 Item of Expenditure was in a range from 12 Percent to 99 Percent, progress relating to revenue collection estimated under 07 Items of Revenue was in such a low level of 23.5 Percent. Accordingly, it was observed that the Budget had not been made use of as a tool of management in Revenue and Expenditure Control.

4.3 Audit Queries not replied and un-resolved

While replies had not been submitted to 02 audit queries out of the audit queries issued to the Sabha, value of transactions which could be assessed, subject to those queries amounted to Rs.207,280.

5. Systems and Controls

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

- (a.) Recovery of revenue in arrears
- (b.) Budgetary controls
- (c.) Assets Control
- (d.) Debtors and Creditors Control
- (e.) Internal Control
- (f.) Financial Control