

Dimbulagala Pradeshiya Sabah

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year under review had not been submitted to audit even up to 18 October 2016, Financial Statements for the preceding two years review had not been submitted to audit up to now. The Auditor General's Report relating to transactions during the year under review was sent to the Secretary of the Sabha on 12 October 2016.

1.2 Comments on Transactions, Operations and Performance

1.2.1 Lack of Evidence for Audit

(a) Audit queries not replied

While replies had not been furnished to 04 audit queries raised during the year under review and the preceding year even up to 30 June 2016, the value of transactions which could be computed subject to those audit queries amounted to Rs. 50,193,611.

(b) Non-submission of Information for Audit

A sum of Rs. 79,720 had been paid through 08 vouchers without obtaining receipts or relevant documents in terms of Financial Regulation 264 of the Republic of Sri Lanka.

2. Financial Review

2.1 Revenue Administration

While the total of arrears of revenue due to be recovered to the Sabha as at the end of the year under review was Rs. .14,704,14, action had not been taken by the parties responsible to recover that amount.

2.1.1 Arrears of Stalls Rent and Weekly Fair Revenue

While a sum of Rs. 405,932 was due to be recovered from one weekly fair and 20 trade stalls belong to the Sabha as at 31Deember 2015, recovery of stall rent from those stalls with arrears amounts had not been carried out during a period from 01 to 08 years.

3. Operating Review

3.1 Management Inefficiencies

- (a) Purchasing Works of the Sabha had been made personally by the Chairman, by taking action contrary to principles of internal control such as distribution of work, internal check, and internal supervision.
- (b) Although Trade Licenses and Industrial Tax should be recovered based on a list prepared after an annual survey carried out with regard to stalls, trading places and industries before 31 March of every year, action had not been taken accordingly.
- (c) Action had not been taken to hand over counterfoils of 17 receipt books obtained by a Revenue Overseer during the preceding period from 2 to 3 years, in terms of Sections 132 (j) and (k) of the Pradeshiya Sabha Act no. 15 of 1987 and F.R. 343.
- (d) Action in terms of Financial Regulations had not been taken with regard to 108 cheques valued at Rs. 997,573 issued, but not presented for payments, which had elapsed a period of time exceeding 06 months.

3.2 **Impoper Transactions**

Following matters are observed.

- (a) Although personal approval of the Secretary to the Minister in charge of the subject of the Local Government should be obtained for repairs exceeding Rs. 200,000 in terms of Supplementary Guideline No. 28 for Government Procurement Guidelines Code, without such approval and without obtaining a report from a qualified mechanical engineer of a government department or a corporation with regard to justification of the quotations submitted, in terms of Public Administration Circular No. 41/90 dated 10 October 1990, a sum of Rs. 561,170 had been paid out of Sabha Fund for repairing a vehicle belongs to the Sabha during the year. That repair had been made at the sole discretion of the Chairman.
- (b) When making final payment or retention money with regard to contracts, although it is required to obtain a certificate from the relevant officer-in-charge to the effect that the relevant work has been completed and that it has been performed fairly and as specified, in terms of Pradeshiya Sabha (Financial and Administrative) Rule 113, a sum of Rs..3,358,871 had been paid by taking action contrary to that.
- (c) Although it has been instructed to keep the key of the vehicle used by the Chairman in the custody of the Secretary after dissolution of the Sabha, while to restrict the fuel limit to 10 liters per month vide letter No. NCP/LG/AC/4/1/2 dzated 18 May 2015, of the Cental Provcne Commissioner of labor, 1652 liters of fuel vslued at Rs. 148,680 had been used in excess of the limit during June 2015 to November 2015 for the cab vehicle used by the Chairman.
- (d) In terms of Public Finance Circular No. PF-443 dated 22 May 2010 of the Secretary to the Treasury, Public Intitutions should keep a deposit in a co-opertive society according to own requirements of fuel, and fuel hould be obtained not exceeding that amont based on the deposit. However, acting contrary to the circular, a sum of Rs. 1,940,499 had been paid during the year under review for fuel obtained through a private fuel filling station in Manampitiya.
- (e) While 10 Computers of Dell Type, and two I Pads and 10 Mobile Phones purchased having spent a sum of Rs. 1,229,880 on 20 February 2015, contrary to clause 3.4 of the Government Procurement Guidelnes Code had not been inventerized as assets of the Sabha those equipemnt had been carried away by the Members at the time of dissolution of the Sabha on 02 May 2015. The Secretary had informed the relevaant parties in September 2016 to handover those equipment back to the Sabha. A sum of Rs. 154,000 had been paid out of the Sabha Fund to the Chairman and Members, as fuel, telephone, stationery and entermaint allowances for the first 4 months of the year under review, by acting contrary to Section 132 of the Pradehiya Sabha Act No. 15 of 1987.

- (f) While a sum of Rs. 530,660 had been spent for the purchase of 04 Air Conditioner Machines out of the provisions granted under the National Program for Strengthening Pradeshiya Sabha contrary to the objectives, these Air Conditioner Machines had been personally purchased by the Chairman, by preparing irregular documents, contrary to Rule 05 in the Pradshiya Sabha Rules Code.

3.4 Human Resources Management

Information relating to approved cadre and the actual cadre at the end of the year under review as furnished by the Sabah is given below.

Category of Employees	Approved Cadre	Actual Cadre	Vacancies	Surplus
Senior Level	01	01	-	-
Tertiary Level	01	01	-	-
Secondary Level	15	06	09	-
Primary Level	33	60	03	30
	50	68	12	30

Following matters are observed in this connection.

- (a) Five Posts of Development Officers belong to secondary level, four posts as a Technical Officer (Civil), a Librarian, a Revenue Inspector and a Pre-school Teacher had been vacant.
- (b) While vacancies of 28 posts of Works/Field Labourers, a post of a peon and a Driver belong to the primary level were observed, there was a surplus of 03 posts as a Watcher, Works Supervisor and Heavy Vehicle Operator.
- (c) Fifteen persons had been recruited for the posts of laborers outside the approved cadre of the Sabha on contract basis and salaries and allowances had been paid out of the Sabha Fund.
- (d) A situation of non-performance of duties in the office and the field as specified was observed, due to lack of clear identification and approval of required cadre.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed that an adequate attention had not been made with regard to the budget in terms of Chapter ii in the Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988, as there were variations in a range between 53 per cent and 83 percent of the budget and the actual expenditure.

4.2 Action Plan

An Action Plan including activities aiming at achievement of objectives mentioned in the Pradeshiya Sabha Act with a long term vision in terms of paragraph 04 of the Public Finance Circular No. 01 dated 17 February 2014 had not been prepared for the year under review.

4.3 Internal Audit

While an Internal Audit Unit had not been established in the Sabha, an adequate internal audit had not been performed during the year under review through the Provincial Internal Audit and Investigation Department or North Central Province Local Government Department.

5. Systems and Controls

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

- (a) Accounting
- (b) Financial Control
- (c) Revenue Administration
- (d) Debtors and Creditors Control
- (e) Assets Management