

Pasgoda Pradeshiya Sabha

Matara 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 17 May 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 28 March 2014.

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 Pasgoda Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Pasgoda Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) A sum of Rs.3,326,305 had been paid for the construction of the Pasgoda Trade Complex and a sum of Rs.1,120,693 had been paid for the construction works of the Solid Waste Management Project in year 2011 and 2012. However, these expenditure had not been included in the value of land and buildings shown in the balance sheet as at end of the year under review.
- (b.) According to the Register of Stamp Fees, a sum of Rs.4,287,012 had been received as stamp fees for the year under review and only a sum of Rs.2,800,000 had been credited to the income and expenditure account under other revenue. As such, there was a difference of Rs.1,487,012.

- (c.) According to the Main Ledger, capital aid receivable as at 01 January 2012 amounted to Rs.26,123,666 and a sum of Rs.30,684,940 had been received during the year under review in respect of 2011 and prior years. Therefore, a sum of Rs.4,561,274 had been received for previous years; but it had been credited to the revenue of the year under review without being adjusted to relevant accounts.
- (d.) The value of the stock of Ayurvedic drugs as at 31 December 2012 was Rs.71,833 and it had been shown in the balance sheet as Rs.125,905 indicating a difference of Rs.54,072.

1.3.2 Unsettled Accounts

The total of the debit balances of unsettled accounts brought forward from previous years amounted to Rs.490,376 and the total of credit balances amounted to Rs.1,267,570.

1.3.3 Unreconciled Control Accounts

The value of 05 control accounts as per ledger amounted to Rs.85,771,135 and according to the subsidiary registers the value was Rs.35,770,834 and the difference amounted to Rs.50,000,301.

1.3.4 Lack of Evidence for Audit

Balances of accounts amounting to Rs.50,128,264 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.2,135,820 as compared with the excess of revenue over recurrent expenditure amounting to Rs.9,056,128 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Acre Tax	124	81	43
(ii.) Lease Rent	3,776	3,768	12
(iii.) Licence Fees	967	725	242
(iv.) Other Revenue	22,627	16,063	5,563

2.2.2 Court Fines and Stamp Fees

Court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 amounted to Rs.754,517 and Rs.5,682,726 respectively.

2.2.3 Hoardings

According to the Revenue Register of year 2012, a sum of Rs.31,800 had not been recovered in respect of 101 hoardings displayed.

2.2.4 Trade Licence Fees

According to the Revenue Register for the year 2012, trade licence fees amounting to Rs.35,865 had not been recovered from 787 business locations even by 01 November 2013.

2.2.5 Electricity Transformer Tower Chargers

(a.) The Sabha had decided to recover electricity transformer tower for the year 2012 chargers for year 2012 based on the receipts of the previous year in terms of

Section 150 of the Pradeshiya Sabha Act No.15 of 1987. The Sabha had not taken action to introduce a system to recover charges on electricity transformer towers based on the income of the business.

- (b.) Although it had been decided to recover charges for towers for the year 2012 according to the Gazette Notification dated 13 January 2012, no charges had been recovered for the said year from 12 transfer towers within the area of the Sabha.

2.3 Maintenance of Street Lamps

- (a.) According to PE/01/01 dated 17 August 2010 and Paragraph 12 of the Circular No.17 of 2010 of the Secretary to the Ministry of Power and Energy on Lighting of areas under Local Authorities, 3% of annual household and common retail consumption can be allocated for estimated electricity consumption of street lamps. But, the Sabha had not paid attention on the above and a sum of Rs.90,936 due to the Sabha had not been get reimbursed from the Ceylon Electricity Board.
- (b.) According to the Circular mentioned in (a) above, the written approval of the Ceylon Electricity Board should be obtained to install all the street lamps. The Sabha had not maintained the Register of Street Lamps properly and therefore it could not be ascertained in audit the number of approved street lamps.

2.4 Transactions nota Supported by Adequate Authority

The maximum amount that can be paid from the Sabha funds for holding ceremonies is Rs.1,000 per year in terms of Section 132(J) of the Pradeshiya Sabha Act No.15 of 1987. However, the Sabha had spent a sum of Rs.33,414 for ceremonies in excesss of the above limit.

2.5 Operating Inefficiencies

The following observations are made.

- (a.) According to Paragraph 11.5 of the Public Administration Circular No.08/2005 dated 31 March 2005, the difference between the Bank interest rate for property loans and the 4 percent interest recover from the officer should be reimbursed by the Government. However, a sum of Rs.46,000 paid from the Sabha funds for the

previous years and the year under review had not been get reimbursed even as at 31 December 2012.

- (b.) The pension of the employees of the Local Government Service that had retired prior to 03 September 1993 is paid from the Local Government Service Pension Fund and the said money should be remitted monthly to the said Fund 85 percent, 70 percent and 55 percent based on the salaries paid to the officer from the Local Authorities in which the officer served. Nevertheless, the Pradeshiya Sabha had not remitted a sum of Rs.1,508,258 which should be remitted to the said Fund as at 31 December 2012.
- (c.) According to Section 20 of the Local Government Service Act No.16 of 1974, there is provision to deduct the arrears from the grants paid to the Local Authorities But, the Provincial Councils had not deducted the arrears from the grants and therefore, it had been unable to make payments to the officers to whom pension is paid from the Fund.

2.6 Internal Audit

An adequate internal audit had not been carried out within the institution and an Audit and Management Committee had not been established for the year under review.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management