

**Nuwaragampalatha - East Pradeshiya Sabha**  
**Anuradhapura District**

**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 02 April 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 20 December 2013.

**1.2 Opinion**

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

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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- (a) There was a difference of Rs.47,178 between the total values of the debit and credit balances of the trial balance presented as at 31 December of the year under review.
- (b) The balance of the works debtors amounting to Rs.6,229,327 had been erroneously shown in the credit side of the trial balance.
- (c) According to the accepted accounting system of the Pradeshiya Sabha, the total of the balance of fixed assets accounts should be equivalent to the balance of the revenue contribution to capital outlay account. But, there was a difference of Rs.15,410,804 between these two accounts.

- (d) According to the trial balance, the balance of the accumulated fund and the reserves account amounted to Rs.5,686,527. But, this balance had been shown as Rs.18,570,675 in the general ledger and the financial statements.
- (e) Land and buildings valued at Rs.1,685,000; machinery valued at Rs.558,650 and computers valued at Rs.279,400 had not been included in the financial statements.
- (f) The value of a tractor and a tailer had been understated by Rs.1,065,000 and the value of a water motor had been overstated by Rs.10,000 in the accounts.
- (g) Accrued expenses payable amounting to Rs.143,171 had not been brought to account.
- (h) The court fines receivable as at 31 December 2012 amounted to Rs.2,330,090 and it had been shown in the income and expenditure account as Rs.5,091,265. Therefore, the income for the year had been overstated by Rs. 2,761,175.
- (i) A loan of Rs.6,267,986 obtained from the Local Loans and Development Fund and a grant of Rs.10,853,426 received had not been brought to accounts.

### **1.3.2 Unreconciled Accounts**

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The total of the balances relating to 07 items of accounts shown in the accounts amounted to Rs.28,429,779 and the total of those balances as per subsidiary registers amounted to Rs.46,788,963.

### **1.3.3 Lack of Evidence for Audit**

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Transactions totaling Rs. 62,378,593 could not be satisfactorily verified in audit due to the non-submission of required information to audit.

## **2. Financial and Operating Review**

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### **2.1 Financial Results**

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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.1,697,787 as against the excess of recurrent expenditure over revenue amounting to Rs.29,125 for the preceding year.

### **2.2 Financial Control**

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The following deficiencies in financial control were observed.

- (a) Bank Reconciliation Statements had not been prepared after September 2011 in terms of Rule No.5(10) of the Pradeshiya Sabha (Financial and Administrative) Rules- 1988 in respect of a Bank Current Account.
- (b) Action had not been taken in terms of Financial Regulation 396(d) of the Republic of Sri Lanka in respect of 03 cheques totaling Rs.11,596 that had lapsed 06 months.
- (c) According to Financial Regulation 264 of the Republic of Sri Lanka, receipts should be submitted for payment vouchers. However, receipts had not been obtained in respect of payments totaling Rs.45,478 at 03 instances.
- (d) A balance of Rs.16,503 had been idling in a bank savings account of the Sabha since year 2002.

### **2.3 Revenue Administration**

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#### **2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	557	661	-
(ii.) Lease Rent	1,027	971	72
(iii.) Licence Fees	334	220	7
(iv.) Other Revenue	9,645	8,055	1,590

### **2.3.2 Rates and Taxes**

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Action had not been taken in terms of Section 134(i) of the Pradeshiya Sabha Act No.15 of 1987 to declare the areas identified as developed areas and to recover rates and taxes.

### **2.3.3 Lease Rent**

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The Sabha had deprived of an income of Rs.38,400 due to recovery of stall rent without taking into consideration the assessment of the Chief Valuer.

### **2.3.4 Trade Stall Revenue**

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According to the Circular No.NCP/KG/09/07/19 dated 14 August 1994 of the Commissioner of Local Government, the stalls owned by Local Authorities should be assessed at least once in 05 years and rent should be recovered accordingly. But, rent had been recovered based on the assessment made prior to 11 years.

### **2.3.5 Other Revenue**

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Action had not been taken to recover charges amounting to Rs. 31,600 due from tube wells used within the area of the Sabha.

### **2.3.6 Court Fines and Stamp Fees**

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

	Rs.
(i.) Court Fines	3,743,077
(ii.) Stamp Fees	2,197,480

### **2.4 Transactions Not Supported by Adequate Authority**

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An expenditure totaling Rs.119,422 had been incurred on ceremonies and personal grants, without obtaining the approval of the Minister- in-charge of the subject in terms of Section 132(J) of the Pradeshiya Sabha Act No.15 of 1987.

### **2.5 Operating Inefficiencies**

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- (a) Action had not been taken to get the approval for 15 vacancies of the Sabha and salaries and allowances amounting to Rs.2,589,375 had been paid from the funds of the Sabha.
- (b) A corporate plan including the plans relating to the activities of the future years and an action plan for achievement of expected activities to be implemented had not been prepared and implemented.

### **3. Systems and Controls**

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Human Resources Management