

Padaviya Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 01 July 2013 and the financial statements for the preceding year had been presented on 30 July 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 December 2013.

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 Padaviya 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 accounting deficiencies were observed.

- (a) Action had not been taken to value 19 items of fixed assets owned by the Sabha and brought to account.
- (b) The value of the Library building constructed by the Sabha at a cost of Rs. 2,000,000 had not been included in the financial statements.
- (c) Audit fees payable for the year under review and the previous years and brought to accounts and the court fines income receivable for the year under review had not been identified and brought to account.

- (d) The summary of revenue register (P.S.19) which should be prepared for the computation of revenue for the year under review had not been prepared.
- (e) Action had not been taken to settle the balance of Rs. 486,839 existed in the suspense account as at end of the year under review.

1.3.2 Lack of Evidence for Audit

Ten items of accounts totaling Rs.43,147,714 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. 9,815 as against the recurrent expenditure over revenue amounting to Rs. 479,074 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a) According to Rule No. 99 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988, all the payment vouchers should be certified by the Chairman of the Sabha. However payments totaling Rs. 220,036 had been made on 12 vouchers without acting accordingly.
- (b) Officers having custody of money and stores or officers carrying out revenue related duties had not kept security deposits in terms of Rule 180 of the Pradeshiya Sabha (Financial and Administrative) Rules - 1988.

2.3 Revenue Administration

2.3.1 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 shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	225	79	146
(ii.) Lease Rent	1,365	802	563
(iii.) Licence Fees	370	487	117
(iv.) Other Revenue	2,077	1,506	571

2.3.2 Business Tax

Action had not been taken to recover Rs. 145,600 equivalent to 65 percent of the estimated revenue for the year under review.

2.3.3 Lease Rent

- (a) Action had not been taken to recover Rs. 563,000 equivalent to 41percent of the estimated lease rent income for the year under review.
- (b) Two stalls owned by the Sabha had not been given on lease during the year under review and therefore, the Sabha had deprived of a minimum income of Rs.87,600.

2.3.4 Licence Fees

The licence fees for the year under review had not been estimated properly and therefore, the actual revenue received was Rs. 487,000 more by 32 percent over the estimated amount.

2.3.5 Other Revenue

Action had not been taken to recover charges based on the number of hoardings displayed within the area in terms of By-law No. 39 of the Gazette Extra-ordinary No. 520/07 dated 23 August 1988 of the Minister of Local Government.

2.3.6 Court Fines and Stamp Fees

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	1,257,910
(ii.) Stamp Fees	221,400

2.4 Idle and Underutilized Physical Resources

Two double boats valued at Rs. 35,000 owned by the Sabha had been idling for over 03 years without being put to any use.

2.5 Transactions Not Supported by Adequate Authority

A payment totaling Rs.10,000 had been paid for festivals without obtaining the prior approval of the Minister in-charge of the subject contrary to Section 132 (J) of the Pradeshiya Sabha Act No.15 of 1987.

2.6 Contract Administration

The following observations are made.

- (a) Quality control certificates of the Provincial Engineering Department had not been obtained while making payment of a total cost of Rs. 3,132,099 relating to 03 works implemented by the Sabha during the year under review.
- (b) According to Section 3.2.2. of the Government Procurement Guidelines 2006; goods and services should be obtained in more favorable manner towards the institution by opening for competition among suppliers. But, this requirement had not been followed in respect of goods valued at Rs. 239,340 purchased by the Sabha at 07 instances.
- (c) Four works of which the contracted cost was Rs. 6,918,062 planned to be completed during the year under review had not been completed even as at end of the year.

2.7 Operating Inefficiencies

The following observations are made.

- (a) An Internal Audit Unit had not been established and there was no evidence to prove that the officers of the Department of Local Government had done supervision.
- (b) Verification of property, stores and inventory goods of the Sabha had not been carried out after year 2010 in terms of Rule No. 203 and 214 of the Pradeshiya Sabha (Financial and administrative) Rules-1988.
- (c) Action had not been taken in terms of Financial Regulation 396(d) of the Republic of Sri Lanka in respect of 05 cheques valued at Rs.10,674 not presented for payment within 06 months from the date of issue.
- (d) A corporate plan including the plans relating to the activities of the future years and an action plan to achieve the plans expected to be implemented had not been prepared and implemented.

- (e) Eleven employees had been recruited by the Sabha in excess of the approved cadre during the year under review and salaries amounting to Rs. 785,981 had been paid from the funds of the Sabha that is not reimbursable.

2.8 Solid Waste Management

The Sabha had not implemented an environmental friendly waste management system during 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) Internal Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contract Administration