

Palindanuwara Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 23 April 2013 and the financial statements for the preceding year had been presented on 28 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 14 November 2013.

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 Palindanuwara 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 Palindanuwara Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

A sum of Rs.625,000 transferred from the works account to the general account had been debited to the government aid creditors account although it had already been debited to the general cash account and credited to the works cash account.

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.2,499,615 as against the excess of recurrent expenditure over revenue amounting to Rs.685,515 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 shown below.

| | Item of Revenue | Estimated | Actual | Cumulative Arrears as at 31 December |
|-------|------------------------|------------------|---------------|---|
| | | Rs.000 | Rs.000 | Rs.000 |
| (i) | Rates and Taxes | 1,625 | 497 | 45 |
| (ii) | Lease Rent | 3,041 | 3,956 | 102 |
| (iii) | Licence Fees | 299 | 204 | - |
| (iv) | Other Revenue | 4,444 | 3,991 | - |

2.2.2 Rates and Taxes

113 building plans had been approved from 2009 to 2012, but conformity certificates had been issued only for 07 out of the above. The Sabha had not taken action to do even a temporary assessment for these buildings, until an assessment of rates is done.

2.2.3 Other Revenue

According to Section 149 of the Pradeshiya Sabha Act No.15 of 1987, a tax of 1 % should be recovered from the hotels, eating houses etc. registered under the Tourism Promotion Act No.14 of 1968. However, the above tax had not been recovered from a holiday resort registered since year 2006.

2.2.4 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 | 2,587,750 |
| (ii) Stamp Fees | 2,262,472 |

2.3 Irregular Transactions

Purchase of 11 Hume pipes of Size 1 ½ X 8” and 11 Hume pipes of Size 1 ½ ” X 4 ” had been made at Rs.79,200 during the year under review. The necessity of purchasing these Hume pipes or recommendations made or requests made were not available in the relevant file and all the Hume pipes purchased had been issued to the Technical Officer. However, it was not stated to which roads these pipes were used.

2.4 Budgeting

Favorable variances ranging 41 percent to 279 percent relating to 02 items of revenue and 05 items of expenditure and adverse variances ranging 36 percent to 77 percent relating to 03 items of revenue and 02 items of expenditure were revealed, thus indicating that the budget had not been made use of as an effective instrument of management control.

2.5 Procurement Plan

An annual procurement plan had not been prepared.

2.6 Internal Audit

According to Sab—rule 7 and v of Rule 5 of the Pradeshiya Sabha Rules – 1988, it is the responsibility of the Chairman to establish, an adequate internal audit in respect of financial and stores transactions. However, action had not been taken accordingly.

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
- (d) Budgeting