

## **Habaraduwa Pradeshiya**

### **Galle District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 24 April 2013 and the financial statements for the preceding year had been presented on 29 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 31 October 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 Habaraduwa Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

The following observations are made.

- (a.) The accounts had been prepared based on the decision taken on the recommendations of the Committee of Dividing Assets and Liabilities; to vest with assets amounting to Rs.15,867,478 and liabilities amounting to Rs.2,051,705 to the Imaduwa Pradeshiya Sabha. Nevertheless, the relevant assets and liabilities had not been legally vested with the Imaduwa Pradeshiya through a Gazette notification even by 23 July 2013; the date of audit examination.
- (b.) Provisions had been made in the financial statements as capital aid receivable, in respect of 04 works valued at Rs.1,790,300 expected to be carried out from the Sabha funds. Therefore, capital aid and debtors had been overstated by Rs.1,790,300.
- (c.) Income from stamp fees receivable for the preceding year from the Department of Registrar General amounted to Rs 28,941,214 where as it had been shown in the financial statements as Rs.15,000,000 thus understating the accumulated fund by Rs.13,941,214. The income from stamp fees receivable for the under review amounted to Rs.34,724,401 and it had been shown in the financial statements as





- (b.) 02 stalls of the down floor and 01 stall of the upper floor of the New Trade Complex had been sub-let.
- (c.) Goods had been displayed in front of stall No.01, 03,07, 09, 11, 12, 14 and 15 of the ground floor.
- (d.) Lease agreements of stall No.01, 03 and 09 of the ground floor had not been renewed.

### **2.3 Surcharges**

A sum of Rs.6,692 had been recoverable as at 31 December 2012 in respect of surcharges levied by me during the previous years against the persons responsible; in terms of the provisions of the Pradeshiya Sabha Act No.15 of 1987.

### **2.4 Operating Inefficiencies**

The following observations are made.

- (a.) None of the Members had submitted Statements of Assets and Liabilities after the selection of the Sabha during the year 2012 up to 21 March 2013; the date of audit examination.
- (b.) Loan balances amounting to Rs.26,850 had been outstanding from 08 employees served in the Sabha and of this Rs.17,100 had been outstanding since year 2010 and Rs.9,750 had been outstanding since 2011.
- (c.) According to the verification of goods carried out as at 31 December of the year under review; 580 books valued at Rs.105,025 of the libraries of the Sabha had been misplaced. The Sabha had not taken necessary action to recover the value of the books from the persons responsible.
- (d.) The sum of Rs.98,600 receivable from the Ceylon Electricity Board for the maintenance of street lamps during the year 2012 had not been recovered up to 21 March 2013; the date of audit examination.
- (e.) A corporate plan at least for 03 years had not been prepared in terms of the letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance and an action plan had not been prepared for the year under review.
- (f.) An annual procurement plan had not been prepared in terms of National Budget Circular No.128 dated 24 March 2006.



**2.6 Internal Audit**

An adequate internal audit had not been carried out by in the Institution, and an Audit and Management Committee had not been established in terms of the Circular No. PE/F/S/4(xiii) dated 28 August 2006 of the Secretary to the Ministry of Finance and Planning.

**3. Systems and Controls**

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

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