

**Nivithigala Pradeshiya Sabha**  
**Rathnapura District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 17 June 2013 and the financial statements for the preceding year had been presented on 09 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 14 October 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 Nivithigala 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 Nivithigala 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**

- (a.) According to the financial statements, the value of fixed deposits belonging to the Sabha as at 31 December 2012 was Rs.1,710,638. However, a physical verification of the fixed deposit certificates the value as Rs.500,000.
- (b.) The value of land and buildings belonging to the Sabha had not been disclosed with the accounts.
- (c.) The revenue from stamp fees for the year under review had not been identified and brought to accounts.

(d.) A difference of Rs.727,845 was observed between the value shown in the final accounts and the related schedules pertaining to 08 items of accounts.

### **1.3.2 Lack of Evidence for Audit**

Transactions totalling Rs.19,317,232 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

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

### **2.1 Financial Results**

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2012 was Rs.4,452,599 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.6,640,281.

### **2.2 Revenue Administration**

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

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	935	738	197
(ii.) Lease Rent	4,182	3,052	1,130
(iii.) Licence Fees	1,077	214	863
(iv.) Other Revenue	9,779	10,563	-

#### **2.2.2 Lease Rent**

Arrears of rent from 4 stalls aggregating Rs.76,286 as at 01 January 2012 had not been recovered even as at 23 November 2012, the date of audit. Bills had not been prepared for the years 2011 and 2012 too.

### **2.2.3 Other Revenue**

- (a.) Action had not been taken to frame by-laws in order to recover monthly lease rent for vehicles meant for hire and vehicle parked for business activities in Kuruwita, Nivithigala and Dela towns within the authoritative area of the Sabha as required by the Gazette Notification No.1739 dated 30 December 2011.
- (b.) According to the resolution No.06 of 23 February 2012 adopted by the Sabha, it was decided to levy charges by calling for tenders for a minimum sum of Rs.20,000 per year according to hourly charges for parking vehicles arriving at the Nivithigala town from elsewhere, except vehicles which pays a monthly fees. However, by-laws had not been framed in order to recover the charges.

### **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 were as follows.

	Rs.
(i.) Court Fines	2,074,666
(ii.) Stamp Fees	5,618,576

### **2.3 Idle and Underutilized Physical Resources**

- (a.) The cab bearing no.53-5634 remained idle for a long time. A physical verification revealed that hinges of doors and windows had been removed. It was observed that by allowing it to idle any further may result in a decrease of value, if auctioned.
- (b.) The balance in the Dormant Savings Account No.192-2610652-96-7 of the People's bank exceeding 03 years as at 31 December 2012 was Rs.13,982.

**2.4 Transactions without Adequate Authority**

- (a.) During the year under review, festival advances amounting to Rs.175,000 had been paid to 12 members including the Chairman without the prior approval Commissioner of Local Government.
- (b.) A sum of Rs.50,000 ha been paid to 08 members on 10 occasions who had not participated at meetings, contravening the rules specified in the Gazette Extra Ordinary No.396/18 dated 08 June 2005 of the Republic of Sri Lanka.

**2.5 Operating Inefficiencies**

- (a.) The advance of Rs.200,000 paid to a contractor on 29 February 2010 had not been settled up to 28 November 2012, the date of audit.
- (b.) Action had not been taken to obtain the cab which had been handed over to a private garage for repairs more than 1 1/2 years ago.
- (c.) The entire provision of 12 items of expenditure amounting to Rs.5,737,804 remained unspent whereas the expenditure of 11 items of expenditure had exceeded by Rs.1,222,130.

**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