

## **Naula Pradeshiya Sabha**

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### **Matale District**

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

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

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Financial Statements for the year under review had been submitted to Audit on 06 May 2014 while Financial Statements relating to the preceding year had been submitted on 21 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 03 October 2014.

##### **1.2 Opinion**

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It was not possible for me to obtain adequate and appropriate audit evidence, due to important matters referred to in paragraphs 1.3.3, 1.3.4 and 1.3.5 in this report to express an opinion. Accordingly, I do not express an opinion on these financial Statements.

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

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###### **1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

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Financial Statements for the year under review had not been prepared in accordance with Public Sector Accounting Standards of Sri Lanka.

###### **1.3.2 Accounting Policies**

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Accounting Policies adopted in preparation of the financial statements had not been disclosed with the financial statements.

###### **1.3.3 Accounting Deficiencies**

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Following accounting deficiencies were observed.

- (a.) Expenditure incurred amounting to Rs. 150,000 for erection of the fence in the Naula Public Stadium and the value of Inventory Items amounting to Rs. 32,350 had not been capitalized.
- (b.) Audit fees payable for preceding 11 years amounting to Rs.3 75,208 and Creditors Balances amounting to 110,488 relevant to the year under review had been omitted in the financial Statements.

- (c.) Withholding sum of Rs. 47,485 relating to Works had been posted to the General Deposits Account and the Creditors Account, resulting an overstatement in the Creditors Account.
- (d.) While the sum of Rs. 27,030 being the amount payable to Local Government Pension Contribution Fund for the year under review had not been accounted, the balance of amount payable as at 31 December 2013 had been overstated in a sum of Rs. 2,076,555.
- (e.) The Court fines amounting to Rs.71,668 received during the year under review had been shown again under Debtors.
- (f.) A Cash Flow Statement and a Statement of Changes in the Net Assets had not been furnished along with the Financial Statements for the year under review.

#### **1.3.4 Accounts Receivable and Payable**

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Following matters were observed.

##### **(a.) Accounts Receivable**

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While the total of 05 balances of Accounts Receivable as at the end of the year under review amounted to Rs.9,512,641, a balance that had elapsed more than 03 years amounting to Rs.330,784 had been included therein.

##### **(b.) Accounts Payable**

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While the total of creditors balances payable as at 31 December 2013 amounted to Rs.8,447,546, a balance relating to a period between 1 and 2 years amounting to Rs.47,500 was included therein.

#### **1.3.5 Lack of evidence for audit**

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Transactions totalling Rs.11,487,789 could not be satisfactorily vouched in audit, due to non-submission of required information.

#### **1.3.6 Non-compliance with Laws, Rules, Regulations etc.**

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Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

**Reference to Laws, Rules, Regulations etc.**

**Non-compliance**

(a.) Pradeshiya Sabha Act No. 15 of 1987

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(i.) Clauses 132

- Expenditure amounting to Rs. 210,000 had been incurred in 02 instances without approval of the Minister.

(ii.) Clause 154(I)

- While 1 Percent Tax amounting to Rs.40,800 relevant to 02 Land Sales had been under covered, tax had not been recovered relevant to 03 Land Sales.

(b.) Series of Pradeshiya Sabha Rules (Financial and Administration) of 1988

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(i.) Rule 99

- Payments of Rs. 37,064 had been made for 07 un-certified vouchers.

(ii.) Rules 207 and 208

- Expenditure amounting to Rs. 113,970 for obtaining the service of a JCB Machine in three instance and expenditure amounting to Rs. 195,750 for the purchase of Hume Pipes had been incurred respectively, without following a system for calling competitive quotations.

**2. Financial Review**

**2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.2,987,997 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 4,112,738. When compared with the preceding year, a downfall of Rs.1,124,741 was shown in the financial results for the year under review.

## **2.2 Revenue Administration**

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### **2.2.1 Rates**

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A sum of Rs. 1,048,546 out of amounts billed on account of revenue for the year and a sum of Rs.841,262 in arrears relating to prior years totalling Rs.1,889,808 was outstanding to be recovered as at the end of the year under review.

### **2.2.2 Lease Rent**

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While one stall in the Old Pradeshiya Sabha Building had been rented out on the basis of a monthly rental of Rs. 1,500 without a legal agreement, action had not been taken to recover arrears of rent amounting to Rs. 16,500 for 11 months and also to enter into a formal agreement. Another 03 Stalls had been given to an outside individual to carry on a Press for printing advertisements, without entering into an agreement and recovering a rent.

### **2.2.3 Water Charges**

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Balance of Water Charges in arrears as at 31 December of the year under review was Rs.319,362.

### **2.2.4 Court Fines and Stamp Fees**

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A sum of Rs. 172,585 on account of Court Fines and a sum of Rs.1,475,000 on account of stamp Fees were due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities.

## **3. Operating Review**

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### **3.1 Operational Inefficiencies**

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Following matters were observed.

- (a.) A sum of Rs. 1,923,445 was payable to the Local Government Pension Fund due to non-remittance of contributions monthly.
- (b.) Action had not been taken to settle the balance of Rs. 152,200 being the amount not covered by insurance out of the expenditure incurred for repairs to Double Cab vehicle met with an accident on 23 January 1999.
- (c.) Although Inventory Items valued at Rs. 607,617 had been received to the Sabha on 15 November 2012 for “E-Nena Piyesa” Project under Criteria Based Development Grants that Project had not been implemented.

- (d.) Although the number of trade stalls to be issued with Trade Licenses during the year under review had been identified as 548, Trade Licenses had been issued to only 160 trade stalls. While trade Licenses had not been issued to the balance trade stalls, they had been allowed to carry on business.
- (e.) Action had not been taken to recover loan balances in arrears amounting to Rs.201,325 in terms of Paragraph 06 of the Accounts Circular No. 95/9 dated 27 December 1995 of the Chief Secretary to the Central Provincial Council.
- (f.) Although two blocks of land belong to the Sabha had been used by un-authorized occupants, any action had not been taken to eject them.
- (g.) Land to the extent of 245 Perches had not been vested, out of 10 Percent of land to be vested with regard to 05 land Sales during the years 2006 and 2008.

### **3.2 Idle/Under-utilized Assets**

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The Hand Tractor and the Trailer valued at Rs. 100,000 had remained idle for more than 10 years.

### **3.3 Solid Wastes Management**

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Either a Recycling Project or Compose Production Project had not been initiated with regard to garbage collection in the area of authority of the Sabha.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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Even after transfer of provisions between items of revenue and expenditure during the year, variation in a range of 23 percent to 93 percent between the estimated revenue and actual revenue relating to 12 items of revenue were observed. Similar variation in a range of 11 percent to 98 percent between net provision and actual expenditure relating to 39 items of expenditure were also observed. Out of the provision of Rs. 675,000 made available for 12 items of expenditure, transfers to other expenditure items or savings had been made without incurring any expenditure. Accordingly, it was observed that the Budget had not been used as an effective tool of management.

### **4.2 Audit Queries not replied and un-resolved**

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A reply had not been furnished to an audit query relating to transactions valued at Rs.599,353.

**5. Systems and Controls**  
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Special attention of the Sabha is needed in the following areas of controls.

- (a.) Recovery of revenue in arrears
- (b.) Budgetary control
- (c.) Assets Management
- (d.) Debtors and Creditors Control
- (e.) Stores Control
- (f.) Financial Control