

**Palindanuwara Pradeshiya Sabha**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 25 March 2015 while Financial Statements relating to the preceding year had been submitted on 01 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 16 July 2015.

**1.2 Opinion**

In view of significance of matters appearing in paragraph 1.3 of this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Palindanuwara Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following observations are made.

- (a) Deductions amounting to Rs. 52,995 in the Salaries Account had been accounted as Other Revenue.
- (b) When correcting the error during the year under review with regard to overstatement of Salary Reimbursement Revenue in a sum of Rs. 306,804 during the preceding year it had been accounted as Rs. 385,063. Due to that Accumulated Fund had been understated in a sum of Rs. 78,259.
- (c) While opening balance of Rs. 70,000 and the final balance of Rs. 20,000 had not been adjusted In computation of Salary Reimbursement Revenue for the year under review, opening balance of Rs. 301,000 of the Members Allowance and final balance of Rs. 153,000 as well had not been adjusted. Due to these lapses, Other Grants for the year under vie had been overstated in a sum of Rs. 198,000.
- (d) When capitalizing the two boats valued at Rs. 78,000 it had been accounted in the Works Stores and Stocks Account, instead of accounting in the Motor Vehicles and Carts Account.

- (e) In writing-of the sum of Rs. 192,290 in the Value Added Tax Account, it had been recorded in the Suspense Account instead of recording in the Accumulated Fund Account.
- (f) The value of the Lightning Arrester Machine had been undercapitalized in a sum of Rs. 85,000.
- (g) Although Fair Deposits amounting to Rs. 159,583 of the preceding year had been taken to revenue during the year under review, it had not been accounted in the Deposits account. Due to that Deposits balance had been overstated to the extent of that value.
- (h) Although the balance of the Expense Creditors was Rs. 6,408,043 according to the Ledger Account, that value had been taken to the Balance Sheet as Rs.6,337,873. Due to that, Creditors balance had been understated in a sum of Rs.70,170.
- (i) Work Grants Billings and Works Expenditure amounting to Rs. 102,303,790 according to Ledger Accounts had been set off against each other, without being recorded in the Revenue and Expenditure Account.
- (j) Although the Revenue Grants Debtors balance at the end of the year under review according to the Works Register was Rs. 44,751,069, according to the Ledger Account that balance had been Rs. 58,661,040. Accordingly, a difference of Rs. 13,909,971 was observed.
- (k) Although the Government Grants Creditors balance at the end of the year under review according to the Works Register was Rs. 44,751,069, according to the Ledger Account that balance had been Rs. 68,737,546. Accordingly, a difference of Rs. 23,986,477 was observed.

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

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- (a) Any information relating to Fixed Assets shown as Furniture and Equipment valued at Rs. 1,126,944, Motor Vehicles and Carts valued at Rs. 3,088,350, Machinery and Equipment valued at Rs. 3,488,243 totallingRs. 7,703,537 as at 01 January 2014 could not be obtained in audit.
- (b) Schedules indicating the individual balances relevant to Expense Creditors amounting to Rs. 3,114,077 as at the end of the year under review had not been submitted to audit.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 had been Rs.6,051,193 as compared with the corresponding excess of revenue over expenditure amounted to Rs.1,388,534 in the preceding year.

### 2.2 Financial Control

Following financial control deficiencies/lapses are observed.

- (a) Although the Paying Officer should ensure whether the bank balance is adequate for all payments made by cheques, cheques had been issued causing an overdraft in the cash-book in every month during January to December of the year under review.
- (b) Action had not been taken to clear Deposits totalling Rs. 389,267 relevant to the period from year 1997 to year 2012.

### 2.3 Revenue Administration

#### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information as furnished by the Secretary relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	<b>Items of Revenue</b>	<b>Estimated Revenue</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,161	1,948	376
(ii)	Lease Rent	4,080	3,848	439
(iii)	Licence Fees	178	178	-

#### 2.3.2 Lease of Stalls

Following observations are made.

- (a) Tenders had been called for reservation of stalls in the Fair Ground (second stage) on 11 December 2009. Tenders received for three stalls had been rejected as the bid amount of Rs. 825,000 approved by the Sabha had not exceeded. Although it had been decided to re-tender those rejected stalls by publishing at regional level within 07 days, without

action being taken accordingly, those stalls had been leased out on monthly rental basis as per decision taken at the General Sabha Meeting held on 15 December 2010.

- (b) Although one stall out of those had been leased out again to another individual as per decision of the General Sabha Meeting held on 28 May 2013, three months' rent to be recovered as the deposit in terms of the agreement had not been recovered up to 15 June 2015, date of audit.
- (c) Although it had been decided by the Sabha that a sum of Rs. 75,000 should be paid to the Sabha as transfer fee when transferring a stall to another person, fees had not been recovered from the lessee referred to above up to 15 June 2015, date of audit.

### **2.3.3 Recovery of License Fees from Establishments approved by the Sri Lanka Tourism Development Board**

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Although 1 per cent tax should be recovered from hotels, restaurants etc. registered in terms of Tourism Development Act No. 14 of 1968, as provided in Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, tax had not been recovered from a holiday home since the year 2006.

### **2.3.4 Court Fines and Stamp Fees**

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Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014 were as follows.

	Rs.
Court Fines	3,965,734
Stamp Fees	5,752,922

## **2.4 Operating Review**

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### **2.4.1 Operational/Management Inefficiencies**

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- (a) Staff Security  
Security had not been obtained from 21 employees who are required to furnish security in terms of Circular No. LG/05/2004 dated 09 June 2004 of the Commissioner of Local Government and Paragraph 02 of the letter No. 3/4/1 dated 29 January 1992 of the Western Provincial Chief Secretary.
- (b) Payment of Uniform Allowance  
Although a sum of Rs. 360,000 had been paid as Uniform Allowance for 45 employees of the Sabha during the year 2013 and 2014, it was observed at the time of audit on 15 June 2015, that only 08 officers were wearing the uniforms.

(c) Fines

Out of fines amounting to 69,000 recovered by courts as fines for cases filed in connection with food samples during the period from the year 2011 to the year 2014, the sum of Rs. 51,750 being 75 per cent receivable to the Sabha had not been obtained up to 08 June 2015, date of audit.

**2.4.2 Contract Administration**  
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Baduraliya Volley Ball Play Ground had been developed according to an estimate of Rs. 1,461,678 under “From Door to Door - From Village to Village Palath Neguma” Program - 2014. A sum of Rs. 280,000 had been estimated for supply and fixing 08 high qualities electrical lamps under Item of Work No. 13 of the estimate and according to the final payment report too, same amount had been paid. It was observed at the physical check carried out on 15 June 2015 that 04 lamps with 03 bulbs and 04 Flashers had been fixed.

**2.4.3 Identified Losses**  
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While 720 GI Pipes had been provided through the Divi Neguma Department without a request of the Sabha, out of those pipes, 210 and 128 pipes had been provided to Walallawita Pradeshiya Sabha and the Agalawatta Pradeshiya Sabha respectively. Only 118 pipes were available at the Palindanuwara Pradeshiya Sabha as at 07 April 2015.

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Expenditure control
- (d.) Assets Management