

Nagoda Pradeshiya Sabha

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 09 November 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 13 February 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 Nagoda Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 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 the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Nagoda Pradeshiya Sabha as at 31 December 2011 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 Policies

Accounting policies followed by the Sabha had not been disclosed with the financial statements.

1.3.2 Lack of Evidence for Audit

(a) Unanswered Audit queries

Replies to 08 audit queries had not been furnished by 31 December of the year under review. The value of quantifiable transactions relating to the said queries was Rs.1,651,590

(b) Non-submission of Information to Audit

Transactions totaling Rs.92,541,502 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

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 2011 amounted to Rs.4,378,161 as compared with the excess of revenue over recurrent expenditure amounting to Rs.256,449 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

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

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	-----	-----	-----	-----
		Rs.000'	Rs.000'	Rs.000'
i.	Rates and Taxes	114	71	212
ii.	Lease Rent	2,178	2528	-
iii.	Licence Fees	470	620	-
iv.	Other Revenue	20,977	17,132	27,030

2.2.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities were as follows.

	Rs.
(i) Court Fines	519,083
(ii) Stamp Fees	3,756,201

2.2.3 Arrears of Revenue

Action had not been taken in terms of Sections 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 to recover Acre Tax amounting to Rs.211,788 and other revenue amounting to Rs.27,030,336 receivable by the Sabha in respect of the year under review and the previous

years.

2.2.4 Telephone/ Telecommunication Tower Charges

A sum of Rs.236,000 had been due in respect of telecommunication towers erected by 04 institutions under long-term lease of state lands.

2.3 Idle and Underutilized Physical Resources

It was observed that the J.C.B. Machine of the Sabha valued at Rs.3,900,000 had been idling during a period of 20 ½ months from 18 March 2011 to 05 December 2012, the date of audit examination. Further action had not been taken to repair or dispose of the said machine.

2.4 Transactions not Supported by Adequate Authority

According to Section 132(J) of the Pradeshiya Sabha Act No.15 of 1987, expenditure on ceremonies of public importance should not exceed a total sum of Rs.1,000 per year and whenever it exceeds the limit, written approval of the Minister should be obtained for it. Nevertheless a sum of Rs.79,678 had been spent on ceremonies during the year 2011 without obtaining the approval of the Minister.

2.5 Contract Administration

Udugama South Water Supply Project had been completed at a cost of Rs.534,979 under 04 stages from year 2003 to 2007 as a solution for the scarcity of drinking water encountered by the villagers of Samagigama, Udugama. A proper site test had not been carried out prior to the commencement of the Project and therefore the project could not be implemented due to the lack of energy needed to operate the water motor. A field inspection carried out on 13 March 2012 revealed that the door of the small room constructed to install the water motor had been decayed and broken and had been overgrown and that the pipe lines laid near the tank had been missing.

2.6 Non-reimbursement of Expenditure on Street Lamps

A sum of Rs.288,239 had been spent for year 2011 for the purchase of equipment for street lamps and a sum of Rs.289,525 had been spent on maintenance of street lamps. According to the Circular No.PF/12/91 dated 16 March 1998 of the Ministry of Irrigation and Power on instructions for fixing street lamps, the approval of the Ministry of Power and Energy should be obtained before installation of new street lamps. Nevertheless, 48 street lamps had been installed without obtaining the approval as such. Further, the Sabha had not received any reimbursement, even though agreements had been signed with the Ceylon Electricity Board for the years 2011 and 2010.

2.7 Annual Plans

A corporate plan and an annual action plan, had not been prepared in terms of Treasury Circular No.PED/12 of 02 June 2003. A procurement plan also had not been prepared.

2.8 Internal Audit

An adequate internal audit had not been carried out within the institution and an Audit and Management Committee had not been established.

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) Contract Administration
- (d) Assets Management