

Nawagaththegama Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 08 May 2012 and the financial statements for the preceding year had been presented on 12 April 2011. The report of the Auditor General for the year under review was issued to the Chairman on 31 October 2012.

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 Nawagaththegama 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 issued to the Chairman, 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 Nawagaththegagama Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Lack of Evidence for Audit

Transactions totalling Rs. 15,755,586 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 the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.1,531,935 as compared with the excess of revenue over recurrent expenditure amounting to Rs.603,601 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a) According to the financial statements presented for audit, the total of the balances of control accounts of 06 items of accounts amounted to Rs. 10,760,261 whilst the total of such balances of accounts as per subsidiary registers amounted to Rs.11,667,840
- (b) The value of the balances of accounts payable as at 31 December 2011 was Rs. 1,951,283 and the total of the balances of accounts over one year amounted to Rs. 377,240
- (c) Payments amounting to Rs. 968,120 had been made without the approval of the Chairman or the authorized officer.

- (d) The value of accounts receivable as at 31 December 2011 was Rs. 493,290 and the total of the staff loan balances exceeding one year amounted to Rs. 285,221

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year as presented by the Chairman is given 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	-	-	-
(ii) Lease Rent	578	566	12
(iii) Licence Fees	182	173	09
(iv) Other Revenue	4,316	4,316	-

2.3.2 Court Fines

Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs. 577,769

2.4 Idle Physical Resources

Assets valued at Rs. 750,000 belonging to the old water supply scheme had been lying idle for over 05 years and the Mini Kubota Tractor and Trailer valued at Rs. 332,500 had been lying idle for several years.

2.5 Performance

 The following observations are made

- (a) The self – generated income of the Sabha during the year 2011 amounted to Rs. 1,530,003. Of this, the expenditure on salaries except the salaries reimbursed and the compulsory expenses of the Sabha amounted to Rs. 1,131,458. The above compulsory expenses included fuel and expenditure on repairs amounting to Rs.685,242 and was a higher percentage of 45% compared to the self –generated income. 55% of the total expenditure on fuel and repairs represented the expenditure on fuel of the Chairman’s vehicle.
- (b) Information relating to the provincial specific works expected to be carried out according to the Annual Development Plan for 2011 and the works actually carried out is shown below.

Source of Provision	Budgeted		Actual	
	No of works	Expenditure	No of works	Expenditure
		Rs. Million		Rs. Million
Provincial Specific	11	8.4	02	1.1
Special Projects	10	416.0	09	4.0
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	21	424.4	11	5.1
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Accordingly, the works carried out was at a very low level such as 42% of the development proposals included in the Annual Development Plan. The actual capital expenses was at a low percentage of 0.14% as compared with the total capital expenditure estimate.

- (c) The revenue of the Sabha had declined due to action being not taken to identify and recover the stamp fees receivable for the year 2011 and efforts had not been made to restore water supply projects valued at Rs. 750,000 which were idling for over 06 years. No action had been taken to recover the rent of Rs.21,000 of the old Library building continued to be in arrears. Also adequate effort had not been made to find adequate new income generating sources showing that the Sabha had not made an effort to meet the compulsory expenses of the Sabha.
- (d) Although an Annual Action Plan had been prepared it had not been prepared according to the requirements laid down and the levels of achievement had not been reviewed.

2.6 Internal Audit

An adequate internal audit had not been carried out in the institution.

3. Systems and Controls

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

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