

Central Nuwaragam Palatha Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 14 June 2013 and the financial statements for the preceding year had been presented on 17 May 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 12 December 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 Central Nuwaragam Palatha 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 Central Nuwaragam Palatha Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) The value of library books, office equipment, bakery equipment and machinery totaling Rs.1,418,045 had not been brought to account as fixed assets.
- (b.) The balance of stationery and stock of fuel totaling Rs.24,886 as at end of the year had not been shown in the accounts as balance stock.
- (c.) The loan of Rs.4,917,315 obtained from the Local Loans and Development Fund for construction of the crematorium had not been shown as a liability and the total cost of Rs.14,900,957 for construction of the crematorium had not been accounted as fixed assets.

1.3.2 Unreconciled Accounts

A difference of Rs.2,763,599 was observed between the balances shown in the financial statements in respect of 04 items of accounts and the balances shown in the relevant subsidiary registers.

1.3.3 Lack of Evidence for Audit

Seven items of accounts totaling Rs.12,630,559 could not be satisfactorily verified 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 2012 amounted to Rs.234,177 as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,837,398 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a.) 24 vouchers totaling Rs.380,316 had been paid without certification contrary to Rule 99 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.
- (b.) Action had not been taken to recover 10 percent stamp tax amounting to Rs.192,451 recoverable on trade licence in terms of Section 4 of the Stamp Duty (Special Provisions) Act No.12 of 2006 and remit to the Department of Inland Revenue.
- (c.) According to Financial Regulation 237(a) and (b) of the Republic of Sri Lanka, while making payments for stores supplies; the officer in-charge of the Stores should give a certificate to the effect that the relevant goods had been received in the required quality in terms of the agreement. However, action had not been taken accordingly in respect of purchase of goods valued at Rs.546,767.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

<u>Source of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears as at 31 December</u>
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	30	3	-
(ii.) Lease Rent	271	7,443	404
(iii.) Licence Fees	300	2,894	-
(iv.) Other Revenue	15,024	9,226	1,380

2.3.2 Rates and Taxes

The Sabha had not taken action to identify the developed areas within the limits of the Sabha and to recover rates and taxes in terms of Section 134(i) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.3 Lease Rent

Stall rent amounting to Rs.301,390 was in arrears for over 10 years in respect of 09 stalls.

2.3.4 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i.) Court Fines	19,313
(ii.) Stamp Fees	2,352,897

2.4 Idle and Underutilized Physical Resources

Rice flour related bakery production package and the building totaling Rs.1,178,514 had not been utilized.

2.5 Transaction Not Supported by Adequate Authority

The approval of the Minister-in-charge of the subject had not been obtained for the expenditure on ceremonies amounting to Rs.59,000 in terms of Section 132(j) of the Pradeshiya Sabha Act No.15 of 1987.

2.6 Contract Administration

Three projects totaling Rs.2,000,000 which had been approved during the year under review had been abandoned without being completed.

2.7 Operating Inefficiencies

- (a.) Action had not been taken to recruit for 11 vacant posts of the Pradeshiya Sabha and to permanent the excess cadre of 32.
- (b.) A corporate plan including to the plans relating to the activities of the future years and an action plan for achievement of expected activities to be implemented had not been prepared and implemented.

3. Systems and Controls

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

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