

Palagala 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 28 March 2013 and the financial statements for the preceding year had been presented on 11 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 20 December 2013.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Palagala Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Provision had not been made for audit fee relating to the year under review and the audit fees totaling Rs.117,025 payable for the preceding 05 years.
- (b) Pension contributions amounting to Rs.323,164 payable had not been brought to account.
- (c) Works debtors valued at Rs.4,252,021 and works creditors valued at Rs.3,450,002 respectively had been debited and credited to the Accumulated Fund for rectifying the differences between the registers. However, notes had not been submitted with the accounts and therefore, the necessity of adjustments had not been assured.

1.3.2 Lack of Evidence for Audit

Eleven items of assets totaling Rs.79,198,654 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 recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.2,215,912 as against the excess of revenue over recurrent expenditure amounting to Rs.1,095,028 for the preceding year.

2.2 Financial Control

Officers dealing with money or stores or the officers carrying out revenue related duties had not kept security deposits in terms of Rule No.180 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988.

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 shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	400	529	-
(ii) Lease Rent	1,008	734	274
(iii) Licence Fees	105	174	-
(iv) Other Revenue	7,714	5,627	2,087

2.3.2 Court Fines and Stamps Fees

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

	<u>Rs.</u>
(i) Court Fines	408,191
(ii) Stamp Fees	946,540

2.3.3 Telephone Tower Charges

Charges had not been recovered in respect of 05 telephone towers installed within the area of authority.

2.3.4 Environment Licence Fees

Action had not been taken during the year under review to recover environmental licence fees and therefore, the Sabha had deprived of environmental licence fees amounting to Rs.84,000 that should have been recovered from 28 business entities.

2.4 Operating Inefficiencies

The following observations are made.

- (a) The Sabha had not implemented a waste management programme during the year under review.
- (b) A corporate plan including the plans relating to the activities of the future years and an action plan to achieve the activities expected to be implemented had not been prepared and implemented.
- (c) Salaries and allowances amounting to Rs.721,142 had been paid from the funds of the Sabha during the year under review for 07 employees recruited in excess of the approved limit.
- (d) A sum of Rs.98,000 over-paid to a private institution during the year under review had not been recovered from them.

3. Systems and Controls

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

- (a) Accounting
- (b) Internal Audit
- (c) Assets Management