

Panadura Pradeshiya Sabha

Kalutara 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 14 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 14 January 2014.

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 Panadura 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 observations are made.

- (a) Adjustments had been made to the balances of the land and buildings account and the revenue contribution to the capital outlay account by the Tantirimulla Sub-office during the year under review overstating the value of 14 items of assets by Rs.59,647,570 without revaluation of land and buildings purchased and constructed, understating of 01 item by Rs.2,350,000 and omitting 01 item of assets valued at Rs.1,200,000.
- (b) A sum of Rs.2,262,201 paid for works creditors during the year under review had been considered as an expenditure of the year and debited to the works expenditure account instead of being debited to the works creditors account.
- (c) The value of the Bacho Loader purchased for Rs.10,900,000 on 06 July 2012 had not been capitalized.
- (d) Income from warrant charges and fines under Programme 01 of the year under review amounted to Rs.7,098,107; but, it had been accounted in the income and expenditure account as Rs.7,924,966; thus overstating the revenue for the year by Rs.826,859.

- (e) Interest receivable for fixed deposits as at 31 December 2012 amounting to Rs.1,738,082 had been debited to the fixed deposits account, instead of being debited to interest receivable account.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.292,936,504 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 2012 amounted to Rs.6,342,720 as compared with the excess of revenue over recurrent expenditure amounting to Rs.38,521,937 for the preceding year.

2.2 Financial Control

There was a cash balance of Rs.8,480,497 in 04 accounts of the Sabah as at 31 December 2012 and action had not been taken to invest the money effectively.

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.

Item of Revenue	Estimated	Actual	Cumulative Arrears As at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	16,404	9,087	18,234
(ii) Lease Rent	1,671	867	3,152
(iii) Licence Fees	596	591	8
(iv) Other Revenue	19,337	66,962	23,992

2.3.2 Rent on Trade Locations

- (a.) Action had not been taken even by 10 June 2013; the date of audit examination, to recover rent in arrears amounting to Rs.107,639 from 04 old stalls, a sum of Rs.45,135 from a stall of Stage I and Rs.47,700 from a stall of Stage II within the area of Wadduwa Sub-office. Further, an assessment of stall rent had not been carried out and the rent had not been revised since 01 July 2003.
- (b.) The agreements of the stalls are over 10 years old and action had not been taken to sign new agreements.

2.3.3 Sale of Lands and Taxes

The following observations are made.

- (a) According to Section 154(1) of the Pradeshiya Sabha Action No.15 of 1987, a tax of 1 percent should be recovered at the block-out and sale of lands. Although a sum of Rs.1,813,666 had been recovered during 2011, 2012 and 2013; it represents 1 percent of the estimated amount and action had not been taken to recover 1 percent of sales value at any instance.
- (b) The part of the Kahatagahawatta land to the extent of 01 Rood, 10.90 Perches given for common facilities by title deed No.3703 dated 27 September 2011 had not been utilized for common facilities and the boundaries of the land also had not been marked.
- (c) Koongahakotuwa Road land had been auctioned during 2012 and the title deed for the land to the extent of 01 Rood 04 Perches allocated for common facilities had not been obtained by the Sabha even by 10 June 2013; the date of audit examination.

2.3.4 Licence Fees

Provisions had been made by Section 149 of the Pradeshiya Sabha Act No.15 of 1987 to recover licence fees not more than 1 percent of the income of the hotels, eating houses, lodges registered at the Tourism Promotion Authority of Sri Lanka. Nevertheless, no charges had been recovered even as at 10 June 2013 the date of audit examination from 02 institutions for years 2011 and 2012, 07 institution for year 2012.

2.3.5 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.

	<u>Rs.</u>
(i) Court Fines	8,431,116
(ii) Stamp Fees	16,560,994

2.3.6 Environmental Protection Licence

Environmental Protection Licences should be issued according to the “Cord of Instructions on Delegation of Powers to the Local Authorities by the Central Environmental Authority and the Implementation of Powers” published by the Gazette Notification No.1533/16 dated 25 January 2008; Nevertheless, action had not been taken by 10 June 2013; the date of audit examination to ascertain whether the 16 institutions of which the environment protection licence had become invalid during the period 2008 to 2012 are being continued their works, and if so, to issue fresh licence to them.

2.4 Irregular Transactions

Cash payments amounting to Rs.392,000 had been made to 151 officers who are entitle for uniforms, instead of providing uniforms to them; contrary to the provisions of the Circular No.02/01/02/9/97 dated 17 August 1997 of the Commissioner of Local Government. (W.P)

2.5 Operating Inefficiencies

The following observations are made.

- (a.) Balance of pre-payments amounting to Rs.1,717,893 carried forward since 2006 and the creditors’ balance of Rs.41,919,189 as at end of the year under review included a balance of Rs.28,259,697 carried forward for over a number of years and these balances had not been identified.
- (b.) Action had not been taken to recover the loan balances totaling Rs.62,699 due from 13 officers of the Wadduwa Sub-office and the Head Office that had deceased and transferred and this balance had been carried forward for over a long period.

- (c.) A physical verification of the stock of electrical goods carried out on 07 June 2013 revealed an excess of 08 items of stock valued at Rs.33,574 and a shortage of 12 items of stock valued at Rs.80,123 between the balances of the stock ledger and the balances of physically available stock as at that date.
- (d.) A register of fixed assets on computer accessories and software had not been maintained in terms of the Treasury Circular No.IAI/2002/02 dated 28 November 2002.
- (e.) Although the activities expected to be carried out during the year had been included in the annual budget estimate, the financial value and the time targets of each activity had not been included. An annual procurement plan also had not been prepared.
- (f.) According to the budget estimate for the year 2012, provisions totaling Rs.6,667,000 had been made for 33 heads of expenditure. But, the entire provision had not been utilized and as such, the objectives expected by the budgeting process had not been achieved.

2.6 Repairs of Roads

The following observations are made.

- (a.) Query muck had been used to fill the holes of the road, instead of using pre-mix for maintenance of roads of the Sabha. Although a sum of Rs.120,500 had been spent for purchase of 67 cubes of query muck during 2012, only 24 cubes had been entered in the stocks register.
- (b.) According to the stocks register, only 07 cubes of query muck had been issued for the year 2012 and the register had not been balanced in order to show balance of stock.
- (c.) It had not been stated for which roads the 67 cubes of query muck purchased and also there were no estimates for the above.

2.7 Control Over Vehicles

The following observations are made.

- (a.) Although log books had been maintained for vehicles in terms of Financial Regulation 1645(a) of the Republic of Sri Lanka, no entry had been made in the log books.

- (b.) According to Public Administration Circular No.41/90 dated 10 October 1990, fuel consumption of pool vehicles should be checked once in 06 months. But, it had not been done in respect of any vehicle of the Sabha.
- (c.) According to Financial Regulation 1647(b), a verification of vehicles should be carried out annually. However, the Sabha had not carried out a verification of vehicles and a separate register had not been maintained for vehicles.
- (d.) Monthly summaries had not been prepared in respect of any vehicle of the Sabah.

2.8 Internal Audit

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

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) Assets Management
- (d) Stock Control
- (e) Contract Administration
- (f) Budgeting