

Panduwasnuwara Pradeshiya Sabha

Kurunegala District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 19 May 2012 and the financial statements for the preceding year had been presented on 05 April 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 17 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 Panduwasnuwara 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 Panduwasnuwara Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year than ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

Computation of closing stock had not been carried out for the year under review. The balance of Rs. 1,007,691 being the value of stock computation as at 31 December 2009 had been taken as the opening stock of the stock account for the year under review and a balance of Rs. 1,963,213 being the value of stock

computation as at 31 December 2010 had been taken as the closing stock and the sum of Rs. 955,522 being the difference of the above two stock balances been debited to the stock account and credited accumulated fund account by Journal Entry No 20 Accordingly, stock balances had not been not been identified and brought to account in respect of the year under review.

1.3.2 Lack of Evidence for Audit

Non – submission of Information to Audit

Transactions totalling Rs.83,754,442 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 Result

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.1,690,504 as compared with the excess of revenue over recurrent expenditure amounting to Rs.15,848,612 for the preceding year.

2:2 Financial Control

Creditors balance of Rs. 42,608,638 provided as at end of the year under review included unsettled balances amounting to Rs. 3,790,585 and Rs. 9,689,694 respectively brought forward from year 2009 and 2010.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, the 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
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		Rs.'000	Rs.'000	Rs.'000
(i)	Rates and Taxes	702	612	90
(ii)	Lease Rents	9,961	11,036	(1,075)
(iii)	Licence Fees	1,201	1,182	19
(iv)	Other Revenue	47,841	30,132	17,709

2.3.2 Court Fines

Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and the other authorities amounted to Rs. 1,725,418.

2.3.3 Rates

Income from rates and taxes of the Sabha outstanding as at 31 December 2011 amounted to Rs. 387,848 and attention had not been paid and proper action had not been taken to recover the dues in terms of Section 158 of the Pradeshiya Sabha Act No 15 of 1987 and Rules 33-41 of the Pradeshiya Sabha (Financial and Administration) Rules.

2.3.4 Lease of Trade Stalls

The trade stalls of the new trade complex of the Hettipola Town had been given based on bulk payment method. following matters were observed in this connection.

- (i) Two lessees had made offers for Rs. 776,000 and Rs. 693,100 for the stall No 12 and the Sabha had accepted the second offer of Rs. 693,100 giving no particular reason. However the agreement had been signed with the party which had offered the higher price for an amount of Rs.693,100 without the agreement being signed with the party which had offered the second price on the request made by that lessee when agreement in signed.

- (ii) Two offers at Rs. 915,000 and Rs. 761,000 respectively had been forwarded for the trade stall No 09 and the Sabha had accepted the lower offer of Rs. 761,100 giving no particular reason. But, the respective lease agreement had been signed at Rs. 761,100 with another person who had not forwarded tenders.

- (iii) Five offers within the range between Rs. 940,000 and Rs. 1,202,600 had been received for the trade stall No. 4 and in awarding the tenders and the Sabha had entered into an agreement at Rs. 940,000 with the lessee who had offered the lowest price giving no particular reasons.

2.4 Idle and Underutilized Physical Resources

The matters revealed at an examination of the stores in December 2011 are shown below.

- (a) There was a stock of water pipes, equipment valued at Rs. 518,000 received for a water supply scheme priore to number of years. But, action had not been taken to use these stocks for the relevant parpose or any other purpose or to dispose of it in a suitable manner.

- (b) About 80 tyres of various sizes which had been used and removed had been dumped in a side of the stores and action had not been taken refill and use them or to auction.

- (c) There bicycles made to suit for self-employment work had been taken bank due to failure of repaying the loans and had been kept in the stores and action had not been taken to land over those to needy people or to dispose of in a suitable manner.

2.5 Human Resources Management

The following observations are made.

- (a) According to the approved cadre of the Sabha, there had been 15 vacancies of various grades during the year under review.
- (b) Although the Secretary post of the Sabha is a Supra Grade post of the Management Assistance service, a programme. Assistance was covering up duties for over a period of 2 years. One out of the two posts of librarians was covering by a Library Assistance.
- (c) The approved cadre under the posts of Labourers, Drivers, Watchers was 42 and only 36 had been employed under the above posts as at end of the year under review and another 16 had been appointed on casual / substitute basis as at end of the year under review and their salaries are paid out of the Sabha fund.

2.6 Operating Inefficiencies

The following observations are made.

- (a) A verification of goods had not been carried out in respect of stores and stocks for the year under review and a verification of land and buildings too had not been carried out in terms of Rule No 218 of the Pradeshieya Sabha (Financial and Administration) Rules – 1988.
- (b) Contributions payable to the Local Government Pensions Fund by the Sabha in respect of the employees retired from the service of the Sabha had not been properly paid. Therefore, the balance payable to the said fund as at end of the year under review amounted to Rs. 2,980,736.

- (c) A corporate plan for the institution and an action plan for the year under review had not been prepared.

2:7 Internal Audit

An adequate internal audit had not been done under the internal Audit Programme.

03. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Financial Control
- (d) Revenue Administration
- (e) Assets Management