

Pannala Pradeshiya Sabha
Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 11 May 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 17 October 2012.

1.2 Opinion

In view of the comments and observations appearing in my report issued to the Chairman, I am unable to express an opinion on the financial statements of the Pannala pradesheya sabha for the year ended 31 December 2011 presented for the audit.

1.3 Comments of Financial Statements

Lack of Evidence for Audit

Non-submission of Information to Audit

Transactions totalling Rs.278,848,231 could not be satisfactorily vouched in audit due to the non-submission 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 2011 amounted to Rs.8,730,118

as compared with the excess of revenue over recurrent expenditure amounting to Rs.10,882,296 for the preceding year.

2.2 Financial Control

The balance of the works creditors amounting to Rs.3,566,137 relating to the period 2006 to 2010 had remained unsettled even as at end of the year under review.

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 in respect 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	7,141	7,613	2,962
(ii) Lease Rent	19,413	15,783	12,413
(iii) Licence Fees	1,061	999	1,062
(iv) Other Revenue	69,767	57,001	12,766

2.3.2 Court Fines and Stamp Fees

The accounts receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	5,096,263
(ii) Stamp Fees	7,509,021

2.3.3 Revenue Administration

The following observations are made.

(a) Rates

Rates outstanding as at end of the year under review amounted to Rs.2,271,359 and the rates outstanding in respect of 60 properties of which the rates had been outstanding for over 05 year in relation to the Head Office amounted to Rs.408,709. 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 of 1988. The Chairman informed me in October 2012 that it is not possible to recover a sum of Rs.99,824 of the outstanding amount due to the weaknesses in maintaining registers and the balances are being recovered in part payments.

(b) Acreage Tax

There had been outstanding Acreage Tax amounting to Rs.80,000 relating to Yakwila sab-office.

(c) Trade Licence Fees

According to Rule 59 of the Pradeshiya Sabha (Financial and Administration) Rules of 1988 a check should be carried out at the beginning of the year within the area of authority and according to Section 150(1) of the Pradeshiya Sabha Act No.15 of 1987 a list of industries should be prepared and trade licence fees should be recovered. Nevertheless, names of the licence holders who had forwarded the applications for licences and paid the licence fees only had been entered in the registers.

2.4 Transactions Not Supported by Adequate Authority

Trade licence fees amounting to Rs.971,587 consistently existing in the accounts and can not be recovered had been written-off by Journal Entry 02 during the year under review, But the approval of the Minister had not been obtained in terms of the provisions of Section 182 of Pradeshiya Sabha Act No. 15 of 1987.

2.5 Human Resources Management

- (a) The Post of the Secretary which is a Supra Grade post of the Management Assistance Service had been vacant and an officer of the Local Government Service had been appointed in November 2010 to act in the post. Two out of 03 Revenue Administrator posts and 01 out of the 04 Librarian posts had been vacant as at end of the year under review.
- (b) The approved cadre for the posts of Laborers, Watchers and Drivers was 84 and only 71 had been recruited. However, 41 had been assigned to the Sabha as at end of the year under review on casual/ substitute basis paying salaries from the Sabha.

2.6 Contract Administration

Construction of the Wetakeyawa Shopping Complex

An agreement at a value of Rs. 7,204,172 had been entered into with a private contractor on 09 July 2004 to construct the said work by using the bulk money paid and using the funds of the Sabha. The following observations are made in this connection.

- (i) According to the condition No. 3 of the contract agreement, the work should be completed within 06 months i.e 08 January 2005 and handed over to the Sabha. Nevertheless, the work had not been completed and handed over even as at end of the year under review, though 06 years and 10 months had been passed from the completion of the contracted period. Extension of time had been granted in 32 instances within the period of delay, but date had not been fixed for the completion of the work at any instance.

- (ii) Price variations amounting to Rs.1,672,195 had been occurred due to granting time extensions for the contractor's delays. A sum of Rs.836,098 had been paid to the contractor as at 03 February 2012 and the shopping complex had not been opened for business activities. In the meantime, an additional estimate of Rs.1,700,000 had been forwarded for obtaining electricity connection.
- (iii) Eight out of the 24 stalls of this shopping complex could not be rented out even as at end of the year under review due to lack of lessees. There had been 02 installments outstanding in respect of 03 stalls leased out and only one installment had been paid and 02 installments amounting to Rs.745,330 further outstanding. Construction of these complex had been commenced in year 2004, but the electricity connections had not been obtained and the stalls had not been vested with the buyers properly.

2.7 Operating Inefficiencies

- (a) A verification of land and buildings had not been carried out for the year under review.
- (b) Contributions payable to the Local Government Pensions Fund by the Sabha in respect of the employees served and retired from 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.4,124,586.
- (c) A corporate plan for the Sabha and an action plan for the year under review had not been prepared.

2.8 Internal Audit

An Audit and Management Committee had not been appointed for the year under review and an adequate internal audit had not been carried out under the internal audit programme.

3. Systems and Controls

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

- (a) Accounting
- (b) Financial Control
- (c) Revenue Administration
- (d) Contract Administration