

Padiyathalawa Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 09 June 2014 and the financial statements for the preceding year had been presented on 18 June 2013 and the report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 06 January 2015.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Padiyathalawa Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non- compliance with Sri Lanka Public Sector Accounting Standards

The financial statements had not been prepared in accordance with the Sri Lanka Public Sector Accounting Standards in terms of Circular No. PL/05/BA/ ශ්‍රී ලංකා ප්‍රදේශීය මණ්ඩල සභා සභාපතිවරයාගේ 27 January 2014 of the Secretary to the Ministry of Local Authorities and Provincial Councils.

1.3.2 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) Even though the balance of the Stalls Deposits Register amounted to Rs. 60,000 as at 31 December of the year under review, it had been shown as Rs. 90,000 in the financial statements, by overstating Rs. 30,000.
- (b) The value of machinery purchased during the year under review amounted to Rs. 1,463,200 and that value had not been shown in the balance sheet.
- (c) According to details presented, the balance of Value Added Tax payable as at 31 December of the year under review amounted to Rs. 11,040. However, it had been shown as Rs. 5,280 in the balance sheet, by understating Rs. 5,760.
- (d) According to details presented, the stamp fees payable to the Commissioner of Inland Revenue as at 31 December of the year under review amounted to Rs. 86,287. Nevertheless, it had been shown as Rs. 79,996 in the balance sheet, by understating Rs. 6,291.
- (e) According to the Stalls Rent Register, the revenue of stall rent of the year under review amounted to Rs. 508,775. However, it had been shown as Rs. 620,800 in the financial statements, by overstating Rs. 112,025.
- (f) Even though a sum of Rs. 114,240 had been shown under current assets as general stores and overseer's field stores since many years, that stock had not existed physically in those stores. As such, the current assets had been overstated by that amount in the financial statements.

1.3.3 Accounts Payable

The following observations are made.

- (a) Action had not been taken to pay and settle contributions of Rs. 367,245 payable since many years to the Local Government Services Widows' and Orphans' Fund.
- (b) Action had not been taken to pay and settle the Value Added Tax amounting to Rs. 11,040 and stamp fees amounting to Rs. 80,287 payable since many years to the Commissioner of Inland Revenue.

1.3.4 Lack of Evidence for Audit

The evidence shown against the following items of accounts had not been made available to audit. As such, those values could not be satisfactorily vouched or examined in audit.

Item	Value	Evidence not made available to audit
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	Rs.	
Industrial creditors	14,411,530	Register of Industrial Creditors, Letters of Confirmation of Balances
Industrial debtors	14,753,219	Register of Industrial Debtors, Letters of Confirmation of Balances
Arrears of other revenue	24,115	Letters of Confirmation of Balances

1.3.5 Non –compliances with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules, regulations and Management Decisions were observed.

Reference to laws, rules, regulations etc.	Non-compliance
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<u>Pradeshिया Sabha Rules</u>	
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Action had not been taken to conduct a survey and identify institutions from which industrial tax should be recovered in the area of the Sabha.

Rule 153

Even though a statement of arrears of revenue should be maintained by the Pradeshिया Sabha in terms of Form P.S.07, action had not been so taken.

Rule 180

The security that should be given by officers who are entrusted with the collection of money, stores and revenue, had not been given.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the financial result of the operations of the Pradeshिया Sabha for the year ended 31 December 2013 was a revenue of Rs.114,770 exceeding the recurrent expenditure as against the recurrent expenditure

exceeding the revenue of the preceding year amounting to Rs.955,834, thus indicating an improvement of the financial result by Rs. 841,064.

3.2 Revenue Administration

3.2.1 Performance of Collecting Revenue

Details on estimated revenue, actual revenue and arrears of revenue presented by the Chairman relating to the year under review are as follows.

Item of Revenue	Estimated Revenue	Actual Revenue	Accumulated Arrears as at 31 December
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	Rs.	Rs.	Rs.
Rates and Taxes	5,000	--	--
Lease Rent	3,619,600	1,325,076	250,070
Licence Fees	510,000	478,595	--
Service Fees	670,000	583,968	--
Warrant Charges and Fines	783,000	1,074,071	202,059
Other Revenue	61,000	58,845	24,115

3.2.2 Court Fines and Stamp Fees

The stamp fees of Rs. 131,600 from the Registrar General and court fines of Rs. 70,499 from the Chief Secretary of the Eastern Provincial Council had been receivable as at 31 December 2013 and action had not been taken to recover those amounts.

4. Accountability and Good Governance

4.1 Budgetary Control

A variance ranging from 20 per cent to 100 per cent was observed between the budgeted and the actual expenditure thus observing that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

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

- (a) Accounting
- (b) Fixed Assets Control
- (c) Debtors Control
- (d) Maintenance of Registers