

Pasbage Korale Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 31 March 2014 and the financial statements for the preceding year had been presented on 27 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 July 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Pasbage Korale Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Accounts Receivable and Payable

The following observations are made.

a) Accounts Receivable

The value of balances of accounts receivable as at 31 December 2013 amounted to Rs.37,761,975 and out of this, Rs.1,903,425 represents balances for over 1 year.

b) Accounts Payable

The value of balances of accounts payable as at 31 December 2013 amounted to Rs.27,851,933 and out of this, Rs.2,399,143 represents balances for over 1 year.

1.3.2. Non-compliance with Laws, Rules and Regulations

A sum of Rs.30,349 had been paid to the staff officers and field officers for 09 days of weekends and public holidays, without obtaining the prior approval of the Chairman, as stipulated in Paragraph 10 of Chapter VIII in the Establishments Code of the Republic of Sri Lanka.

2. Financial 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 2013 amounted to Rs.10,560,300, as compared with the excess of revenue over recurrent expenditure amounting Rs.11,468,766 for the preceding year. Therefore, the financial result had been deteriorated by Rs.908,466.

2.2. Analytical Financial Review

- a) It was observed that the surplus for the year under review had been decreased by Rs.908,466, in comparison to surplus for the preceding year, and the primary causes for this had been the decrease in other income by 19% and licence fees by 15% in the year 2013, and the increase of expenditure in the range of 5% to 46% in 05 items of expenditure.
- b) The interest dividends and bonus payments during the year under review had been increased by Rs.1,588,954. The reason for this had been the commencement of repayment of the loan obtained from the Local Loans and Development Fund, for the construction of the Sabha Building.

2.3. Working Capital Management

The ratio between total current assets and current liabilities was 1.4:1, and the ratio of 1.9:1 in the preceding year was not in a superior level. Further 86% of the total current assets amounting to Rs.37 million had been works and sundry debtors, whilst 93% of the total current liabilities amounting to Rs.27 million had been works and sundry creditors.

2.4. Revenue Administration

2.4.1. Rates and Taxes

The arrears at the beginning of the year under review amounted to Rs.268,211 and the amount billed for the year was Rs.531,644. The percentage of collection during the year was around 60%, while the arrears as at 31 December 2013 amounted to Rs.342,883 and action had not been taken till 31 May 2013 to recover the arrears, in accordance with Articles 158 (1) and 159 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

2.4.2. Lease Rentals

Legal action had not been taken to recover the lease rental of Rs.31,260 receivable as at 31 December 2013.

2.4.3. Water Charges

The arrears at the beginning of the year under review amounted to Rs.1,901,381 and the arrears at the end of the year amounted to Rs.1,264,259. Though the recovery of arrears had remained at a weak level of 33%, the Sabha had not implemented a systematic procedure to recover this money.

2.4.4. Court Fines and Stamp Fees

The court fines and stamp fees, receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 had been Rs.2,900,000 and Rs.7,000,000 respectively.

3. Operating Review

3.1. Management Inefficiencies

10 customers had paid Rs.37,000 to the Sabha in the year 2012, to obtain the water supply, and the supply had not been provided till 2014, while the relevant payment had been brought to account as income.

3.2. Delayed Projects

09 work projects relevant to year 2012 amounting to Rs.230,750, and 12 work projects relevant to the year under review amounting to Rs.466,823, proposed to be completed utilizing Sabha funds, had not been implemented till May 2014.

4. Accountability and Good Governance**Budgetary Control**

When the budget for the year under review was compared with the values in the financial statements, variances in the range of 26% to 50% were observed in respect of 04 items.

5. Systems and Controls

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

- a) Budgetary Controls
- b) Assets Management
- c) Project Management