

**Padiyatalawa Pradeshiya Sabha**

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**Ampara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 27 May 2015 while the Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 20 August 2015.

**1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Padiyatalawa Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following accounting deficiencies are observed.

- (a) Although the License Fees revenue according to the ledger was Rs.225,450, it had been taken as Rs.332,850 to the Revenue and Expenditure Account. Accordingly, a sum of Rs.107,400 had been overstated in the Revenue and Expenditure Account.
- (b) Although the Stalls Rent revenue according to the ledger was Rs.824,400, it had been shown as Rs.772,780 in the Revenue and Expenditure Account. Accordingly, a sum of Rs.51,620 had been understated in the Revenue and Expenditure Account.
- (c) Although the expenditure incurred on Salaries and Allowances, Transport, Communication, Utilities and Other Services and Pensions, Pension Benefits and Gratuities according to the ledger had been Rs.10,219,657, Rs.389,018 and Rs.85,210 respectively, those had been taken to the Revenue and Expenditure Account as Rs.11,073,564, Rs.465,100 and Rs.86,197 respectively. Accordingly, that expenditure had been overstated in the Revenue and Expenditure Account as Rs.853,907, Rs.76,082 and Rs.987 respectively.

- (d) Although the expenditure incurred on Travelling,, Supplies and Equipment, Interest Payments and Repairs to Capital Assets according to the ledger had been Rs.297,645, Rs.3,044,681, Rs.29,070 and Rs.887,173 respectively, those had been taken to the Revenue and Expenditure Account as Rs.276,293, Rs.3,028,868, Rs.26,280 and Rs.771,835 respectively. Accordingly, expenditure on account of Travelling in a sum of Rs. 21,352, Supplies and Equipment in a sum of Rs.15,813 Interest payments in a sum of Rs. 2,790 and Repairs to Capital Assets in a sum of Rs.115,338 had bee understated in the Revenue and Expenditure Account.
- (e) Although the Stamp Duty Payable to the Commissioner of Inland Revenue as at 31 December of the year under review was Rs.83,305 according to the information furnished, it had been shown as Rs.117,270 in the Balance Sheet.
- (f) Although a sum of Rs.114,240 had been shown over a number of years as General Stores and Overseer’s Field Store under Current Assets, those stocks were not physically available in the stores. Therefore, Current Assets had been overstated in the financial statements to the extent of that value.
- (g) Value of Deposits advances received in leasing out new trade stalls amounting to Rs.45,000 had been shown as Rs.40, 000 in the Balance Sheet.
- (h) Although the value of Library Deposits received for the year under review according the Deposits Register was Rs.11,375, it had been shown as Rs.9,000 in the Balance Sheet.

**1.3.2 Accounts Payable**  
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Action had not been taken to settle the contribution payable to the Widows and Orphans Fund of the Local Government Service amounting to Rs.368,232 since the year 2010.

**1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions**  
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Instances of non-compliance with Laws, Rules and Regulations observed in audit are analysed below.

Reference to Laws, Rules and Regulations -----	Non-compliance -----
(a) Pradeshiya Sabha (Financial and Administrative) Rules Series -----	
(i) Rule 59 – 66	Action had not been taken to carry out a survey in the area and identify the Institutions liable for Industrial Tax and recover those taxes.

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| (ii) Rule 65   | A Register of Payment Defaulters had not been Prepared and submitted to the Secretary.                  |
| (iii) Rule 153   | A statements relating to revenue in arrears had not been maintained in Form P.S. 07.                    |
| (iv) Rule 180  | Security had not been furnished by the three officers in charge of cash, stores and revenue collection. |
| (b) Financial Regulations of the Republic of Sri Lanka |   |
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| Financial Regulation 1647 (e)                          | A Register of Motor Vehicles had not been maintained  |

**2. Financial Review**

**2.1 Financial Results**

According to the Financial Statements presented, financial result of operations of the Sabha for the year ended 31 December 2014 had been an excess of recurrent expenditure over revenue amounting to Rs.55,547 as against the excess of revenue over recurrent expenditure amounted to Rs.114,770 in the preceding year. Accordingly, a decline of Rs.170,317 was shown in the financial results.

**2.2 Analytical Financial Review**

A review relating to financial results for the year under review and the preceding year is given below.

- (a) In analyzing recurrent revenue for the year under review with that for the preceding year, a decrease of 18 per cent in License Fees and increase in Fees for Service, Warrant Charges and Fines, and Other Revenue in a range from 14 per cent to 520 per cent are shown.
- (b) In analyzing recurrent expenditure for the year under review with that for the preceding year, an increase in a range from 18 per cent to 153 percent indicates with regard to Salaries and Allowances, Travelling Expenses, Supplies and Equipment and maintenance of Capital Assets while a decrease in a range from 18 per cent to 100 percent in payments of Pension and Gratuities and Grants and Subsidies are indicated.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

Item of Revenue	Estimated Revenue	Actual Revenue	Accumulated Arrears as at 31.12.2014
	Rs.000	Rs. 000	Rs.000
Rates and Taxes	129	63	--
Lease Rent	5,135	1,314	198
License Fees	458	387	--
Fees for Services	605	710	--
Warrant charges and Fines	34	1,228	203
Other Revenue	170	365	24

### 2.3.2 Trade License fees

Although revenue subject to recovery of Trade License Fees had been published in the Gazette by the Sabha, out of those any Trade License had not been issued for trading places established in the area of authority of the Sabha. Relevant to following industries.

- I Printing Presses
- II Gridding Mills
- III Coffin Shops
- IV Metal Crushing and Blasting
- V Pharmacies
- VI Lottery Sale Centers
- VII Electrical Accessories Trading Centers
- VIII Watch Repairing Centers

### 2.3.3 Advertisement Board Charges and Tower Charges

Although advertisement board levy had been published in the gazette notification, Sabha had not taken action for recovery of charges for any advertisement board. Out of the Telecommunication Towers in the area of authority of the Sabha, action had not been taken to recover charges except one tower. Therefore revenue amounting to about Rs.12,500 on account of Advertisement Boards Charges and Tower Charges had been lost to the Sabha.

### 2.3.4 Stamp Fees

Stamp Fees Receivable amounting to Rs.120,665 as at 31 December 2014 from the Registrar General had not been recovered.

### **3. Operational Review**

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#### **3.1 Management Inefficiencies**

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Following matters are observed.

- (a) Distress Loan balance of Rs.9,710 due from the officer left on transfer to Mahaoya Pradeshiya Sabha during the year 2009 had not been recovered.
- (b) Action had not been taken to get the ownership of 12 vehicles out of 13 vehicles transferred in favor of the Sabha.
- (c) Although revenue totalling Rs. 125,000 was outstanding from 23 Lorries and 56 Three Wheeled Vehicles registered in the Sabha, adequate course of action had not been taken to recover that amount.
- (d) Although by-laws had been prepared and sent to the Commissioner of Local Government for approval, adequate course of action had not been taken by the Sabha to get those by-laws approved. Due to that, it had not been possible to recover revenue due to the Sabha.

#### **3.2 Operational Inefficiencies**

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Although 05 vehicles belong to the Sabha had been sent to garages for repairs and getting corroded over period of more than 02 years, a suitable course of action had not been taken by the Sabha to get back those vehicles.

#### **3.3 Idle assets**

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The Garbage Management Building constructed incurring nearly a sum of Rs.4.1 million under Pilisaru Project by the Central Environmental Authority remained idle from the year 2013 to 23 June 2015, date of audit, due to lack of required infrastructure facilities.

### **4. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management