

**Panduwasnuwara Pradeshiya Sabha**  
**Kurunegala District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 25 March 2015 while Financial Statements relating to the preceding year had been submitted on 26 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 13 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 Panduwasnuwara Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended and cash flows in accordance with Sri Lanka Public Sector Accounting Standards.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following Accounting Deficiencies are observed.

- (a) Value of Rs. 873,196 which should be accounted under Machinery and Equipment had been debited to Furniture and Fixtures Account.
- (b) Although the amount payable to the Local Government Pension Fund was Rs. 3,284,446, it had been shown as Rs. 2,860,475 in the Balance Sheet. . Due to that, Creditors relevant to the year had been understated in a sum of Rs. 423,971.
- (c) Although a sum of Rs. 8,669,729 had been shown as Stamp Fees Receivable for the years 2011 and 2013 under Debtors in the financial statements, in fact there was no such Stamp Fees in arrears relevant to that period as at the end of the year under review.

### **1.3.2 Unreconciled Control Accounts**

Non-reconciliations amounting Rs. 4,326,119 relating to 04 items of accounts between the account and the relevant subsidiary registers were observed under final balances for the year under review.

### **1.3.3 Accounts Payable**

Value of Accounts Payable as at 31 December 2014 was Rs. 67,738,020. Out of those, a balance of Rs. 3,488,367 could not be identified while a sum of Rs. 5,217,681 as 8 per cent approximately had been balances that had been brought forward over a period of more than 03 years.

## **2. Financial Review**

### **2.1 Financial Results**

According to the Financial Statements presented, operational surplus of the Sabha for the year ended 31 December 2014 amounted to Rs. 23,452,554 as compared with the corresponding operational surplus amounted to Rs. 13,902,422 for the preceding year, indicating an improvement of Rs. 9,550,132 in the operational result. When Capital Grants of Rs.58,290,846 and Capital Expenditure of Rs. 82,569,576 are adjusted to this operational result, financial result relevant to the year under review had become a deficit of Rs. 826,176.

### **2.2 Analytical Financial Review**

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.109,248,991 relevant to the year under review of the Sabha, a sum of Rs. 57,034,237 as 52 per cent approximately was consisting revenue not falling under a nature generated in the Sabha such as Court Fines, Stamp Fees and Salary Reimbursements. Similarly, the entire Capital Revenue of Rs. 58,290,846 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.

- (b) Out of the total Recurrent Expenditure of Rs. 85,796,437 relevant to the year under review, a sum of Rs. 44,303,011 as 52 per cent approximately was expenditure for Personnel Emoluments. Out of that a sum of Rs. 42,517,413 as 96 per cent approximately had been received from the Commissioner of Local Government as salary reimbursements and that value had been accounted under Other Revenue. Similarly, Out of the Capital Expenditure of Rs. 82,569,576, only a sum of Rs. 24,278,730 as 29 per cent approximately had been spent out of the Sabha Fund while balance amount of Rs. 58,290,846 as 71 per cent approximately were development works performed out of the provision from other sources such as Gama Neguma and Maga Neguma.

## **2.3 Revenue Administration**

### **2.3.1 Court Fines and Stamp Fees**

While the Court Fines Receivable as at the end of the year under review from the Chief Secretary to the Provincial Council was 1,958,137, Stamp Fees Receivable amounted to Rs. 10,118,014.

### **2.3.2 Lease Rent and Fair Taxes**

- (a) While the Sabha had to file cases against three individuals to recover stalls rent of Rs.339,120 fallen into arrears, due to failure in recovery of rent on due dates, it had not been possible to recover that money as those persons had gone abroad at present.
- (b) While recovery of Fair Charges relevant to Bandara Koswatta, Hettipola Weekly Fair and Beatle Fair had not been done properly, it was not observed that the rates of charges to be recovered are approved on the basis of extent of space and nature of business.
- (c) Rent Assessment Repots for the 09 stalls in the Multi-Purpose Building constructed during the year 2011 having spent a sum of Rs. 41,128,218 under Asian Development Bank Development Projects had not been obtained even up to the end of the year 2014.

### **3. Operating Review**

#### **3.1 Performance Evaluation**

Following observations are made.

- (a) It had been failed to fulfill 12 Projects approved to be implemented under the provisions of the Programme “From Village to Village From Door to Door” amounting to Rs. 3,100,000 within the year 2014 and therefore those funds had not been received to the Sabha.
- (b) Three Capital Projects costing Rs. 6,500,000 planned to be implemented during the year 2014 by the Sabha and included in the budget proposals had not been implemented.
- (c) While the Political authority of the Sabha had involved in foreign travel as one Member from 23 to 28 February 2014 to Indonesia, 07 Members from 24 to 29 August 2014 to Malaysia and 10 Members from 18 to 23 October 2014 to Thailand, a sum of Rs. 2,645,912 had been spent out of the Sabha Fund for those tours.

#### **3.2 Management Inefficiencies**

Following weaknesses are observed.

- (a) The Sabha had not taken action even up to the end of the year under review, to transfer the ownership and include that in the Fixed Assets Register with regard to the Cab Vehicle bearing No. 53-6109 which is being used by the Sabha since the year 2010.
- (b) The Loan Balance remaining un-recovered over a number of years due from 17 employees who are not in service of the Sabha at present amounted to Rs. 46,218.

### **3.3 Operational Inefficiencies**

- (a) Action had not been taken to register and make use of 03 vehicles received to the Sabha from the Ministry of Local Government even up to June 2015.
  
- (b) While two Stone Blocks Production Machines purchased on 10 July 2012 at the rate of Rs. 137,750 per machine for a sum of Rs. 275,500 and 415 Wooden Planks of size 24 x 16 valued at Rs. 124,500 purchased on 30 October 2012 for stacking the stone blocks remained without being utilized, guarantee period of the relevant machines had expired without being used.

### **5. Systems and Controls**

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Assets Management
- (d.) Contracts Administration
- (e.) Vehicles Control