

Palagala Pradeshiya Sabha

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 15 March 2016 while Financial Statements relating to the preceding year had been submitted on 23 April 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 31 August 2016.

1.2 Qualified 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 Palagala Pradeshiya Sabha at 31 December 2015 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 Accounting Deficiencies

Following matters are observed.

- (a) Expenditure totaling Rs. 159,320 relevant to the year under review, but settled during the year 2016, had not been included in the accounts for the year under review.
- (b) Revenue License Fees payable amounting to Rs. 51,300 for 8 vehicles used for Sabha works as at 31 December of the year under review had not been accounted.
- (c) A sum of Rs. 93,000 due to be recovered from 05 telephone communication towers for the year under review had not been accounted.
- (d) Three vehicles valued at Rs. 5,644,580 of which registered ownership had not been transferred in favor of the Sabha had been included in the Motor Vehicles and Carts Account under Fixed Assets.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, operational surplus of the Sabah for the year ended 31 December 2015 had been Rs. 4,104,194 as compared with the corresponding operational surplus of the Sabah amounted to Rs.2,238,943 in the preceding year.

2.2 Revenue Administration

2.2.1 Rates

Action had not been taken to identify the developed regions in the area of authority of the Sabha and recover Rates.

2.2.2 Lease Rent

Action had not been taken to recover Lease Rent in arrears receivable amounting to Rs. 99,100 relevant to the years 2011, 2012 and 2013.

2.2.3 Court Fines and Stamp Fees

- (a) Steps had not been taken to recover Court Fines Revenue amounting to Rs.4,393,718 as at 31 December of the year under review.
- (b) While Stamp Fees to be recovered relevant to the year under review had not been identified and accounted, action had not been taken to recover Stamp Fees in arrears amounting to Rs. 687,975 as at the end of the year 2014 as well.

2.2.4 Other Revenue

Action had not been taken to recover a sum o Rs. 90,000 to be recovered for 4 telephone towers.

2.3 Operational Review

3.1 Un-authorized Transactions

Proper approval had not been obtained with regard to adjustments of Rs. 64,116,566 made among ledger accounts through 20 journal entries during the year under review.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) Four vehicles totalling to a value of Rs.13,460,316 of which registered ownership not transfereed in favor of the Sabha and not included in the Register of Fixed Assets had been engaged in day to day works of the Sabha.
- (b) While a balance of Rs. 499,099 shown in the Accounts Receivable had been stated as an amount relevant to 06 Gama Neguma Development Projects implemented during the period from 2010, 2011 and 2012, action had not been taken to identify that amount specifically and recover it.
- (c) Action had not been taken during the year under review as well, to settle Amounts Payable amounting to Rs. 602,447 relevant to 11 various projects implemented during the years 2010, 2011 and 2012 shown under Accounts Payable.
- (d) In the event of exceeding any voted expenditure, full approval of the Sabha should be obtained for a supplementary vote in terms of Rule 127 of the Pradeshiya Sabha (Financial and Administrative) Rues Series of 1988. However, a sum of Rs. 4,665,000 had been transferred between expenditure heads without such approval.
- (e) Although vehicles cannot be used without registration in the Motor Traffic Department in terms of Section 2(1) of the Motor Vehicles Ordinance (Chapter 203), two vehicles had been engaged in running acting contrary to those provisions.

3.3 Project Delays

While a sum of Rs. 6,547,207 had been received under implemetation of Program for Strengthening Pradeshiya Sabha, although bills had been submitted that the works of 22 approved projects had not been completed, but,according to progress reports submited, the work of 7 projects amounting to Rs. 4,170,000 had not been completed even as at 28 march 2016.

3.4 Contracts Administration

Agreements had been entered into with 05 Community Organizations to reconstruct 07 roads by spreading gravel in 07 roads under Improvements to Local Government Roads and Infrastructure Facilities 2014. Although it had been agreed to complete and handover those works to the Sabha before 31 December 2014 as per those agreements, action had not been taken by the Sabha to recover a sum of Rs. 264,165 as charges for the delay in terms of clause 4 in the agreement with regard to failure in handing over works after completion as per agreements.

4. Systems and Controls

Special attention is needed in the following areas of controls.

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