

Kalawana Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 03 May 2013 and the financial statements for the preceding year had been presented on 03 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 28 January 2014.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Kalawana Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kalawana Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

- (a) The crematorium constructed by spending Rs.10,128,902 during the year under review had not been capitalized and adjusted in the account.
- (b) Inquiries had not been made and suitable action taken with regard to the balances of 6 dormant accounts aggregating Rs.215,811.

- (c) A difference of Rs.9,371,058 was the expenditure shown in the votes ledger and the expenditure shown in the register with regard 16 miscellaneous items.
- (d) The balance of 11 items of account as per Control Account, aggregated Rs.21,135,893 whereas the balances aggregated Rs.19,328,377 as per subsidiary registers.
- (e) The interest of Rs.155,845 for the loan obtained from the Local Loans and Development Fund for the year under review had not been Income and Expenditure Account through the Interest Account.
- (f) The expenditure of Rs.884,014 to be adjusted under the creditors of the year under review and to be adjusted to the expenditure of the year concerned had not been adjusted in the expenditure of the year under review.

1:3:2 Lack of Evidence for Audit

- (a) Transactions totaling Rs19,440,573 could not be satisfactorily vouched in audit due to non-rendition of necessary information.
- (b) Vouchers, bill and evidence for confirmations had not been furnished to audit with regard to 30 balances of creditors totaling Rs.4,196,983 as at 31 December 2012.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure revenue of the Sabha for the year under review was Rs.3,844,692 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.6,199,186.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue, as presented by the Chairman, is shown below.

	Source of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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		Rs.000'	Rs.000'	Rs.000'
(i)	Rates and Taxes	1,628	3,681	3,915
(ii)	Lease Rent	--	--	--
(iii)	Hiring Fees	900	524	375
(iv)	Other Revenue	12,509	17,025	2,514

2:2:2 Other Revenue

According to the powers vested with each Local Authority, action had not been taken to identify and collect in terms of section 149 of the Pradeshiya Sabha Act, of 1987, 1 percent of the annual revenue to be collected from hotels, canteens, lodges registered at the Sri Lanka Tourist Promotion Authority.

2:2:3 Hire of Road Roller

- (a) An agreement had been entered into with the State Development and Construction Corporation in October 2010 to offer the road roller on hire and a sum of Rs.1,864,007 was due for 21 months for the period December 2009 to November 2011. Proper Procedure had not been followed to recover the said up to 14 December 2012 the date of Audit.

- (b) The road roller had been given on hire from December 2011 to a private institution named Ganegoda Construction. However, a sum of Rs.522,494 was due as at end of the year under review.

2:2:4 Courts Fines and Stamp Fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 are shown below.

	Rs.
(i) Court Fees	264,721
(ii) Stamp Fees	2,500,000

2:3 Transactions without Adequate Authority

A sum of Rs.21,360 had been spent without legal provision from the funds of the Pradeshiya Sabha in terms of Section 132 of the Pradeshiya Sabha Act, No. 15 of 1987.

2:4 Irregular Transactions

The following matters were observed.

- (a) Subsistence allowance of Rs.24,000 had been paid to the Chairman for the period January to November of the year under review without verifying whether it was directly counted with the details of the Institutions.
- (b) A sum of Rs.707,441 had been paid to the Balawinna Precast Concrete Division a request made by them on 11 bills dated 8 December 2012. But details shown entries made in the register of stocks for the hume pipes supplied or bills conforming is had not been furnished to audit.

2:5 Operating Inefficiencies

The following matters were observed.

- (a) According to the Financial Regulation 371(2) an advance obtained for a purpose should be immediately after fulfillment of the purpose. However, action had not been taken to settle 2 advances totaling Rs.100,000 which had completed a period of 1 year and 6 months by 31 December 2012 since the date of obtaining advances.
- (b) A revenue controller had been assigned to work 2 days a week from 17 November 2011 by the Commissioner of Local Government with regard to the vacant post of Revenue Controller. But, a sum of Rs.128,628 only had been collected as revenue and remitted from the date of assignment to 10 November 2012 and it was observed in audit that this amount was a minor percentage of 0.3 to 11.8 percent as compared with the budgeted amount.
- (c) Action had not been taken in terms of Financial Regulation 396(d) of the D.S.R. of S.L. in the regard to 55 cheques totaling Rs.423,242 as at 31 December 2012.
- (d) Action had not been taken in terms of Financial Regulations 571 and 572 of the D.S.R. of S.L. with regard to lapsed deposits totalling Rs.2,710,120.
- (e) Seven employees had been recruited by 14 December 2012 on casual and contract basis and salaries amounting to Rs.1,271,263 had been paid during 2011 and 2012 by the Sabha. Contravening the provisions in the circular No. 01/2010 of 16 November 2010 of the Secretary of the Chief Ministry of the Sabharagamawa Province.

3. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Human Resources Management