

Agalawatta Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 02 April 2014 while Financial Statements relating to the preceding year had been submitted on 21 March 2013. The Auditor General's Report relating to the year under review was sent to the chairman of the Sabha on 17 November 2014.

1.2 Opinion

Due to the importance matters appearing in paragraph 1.3 of this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Agalawatta Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Although it is required to submit a Cash Flow Statement for the year under review together with the Financial Statements in terms of Sri Lanka Public Sector Accounting Standard No. 2, a Cash Flow Statement had not been submitted.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a.) Although Trade Licenses amounting to Rs. 10,000, Business Tax amounting to Rs. 6,880 and Acreage Tax amounting to Rs. 2,373 received and recorded during the year 2012 during for the year 2013 should be debited to Receipts in Advance Account and credited to the relevant revenue accounts during the year under review, the total sum of Rs.19,253 referred to above had been written off in the Accumulated Fund Account due to that, Revenue for the year under review had been understated to that extent.

- (b.) Although the balance of the Expense Creditors Account as at the end of the year under review according to the Ledger account had been Rs. 29,575,556, it had been taken as Rs. 29,389,080 to the Trial Balance.

- (c.) Although the accrued expenditure for 22 Items of Expenditure of the year under review had been Rs. 4,615,885, a sum of Rs. 14,046,734 had been accounted in the Creditors Account as expenditure payable. A Journal Entry too had not been made for this.
- (d.) Although the expenditure for the year under review relating to 20 Items of Expenditure according to the Summary of Payments should have been Rs. 22,178,943 after making adjustments for expenditure payable at end of the year, it had been accounted as Rs. 27,468,023 in the Revenue and Expenditure Account. Due to that, expenditure for the year had been overstated in a sum of Rs. 5,289,080.
- (e.) Revenue received amounting to Rs. 6,765,228 under 04 Revenue Heads had been accounted in the Revenue and Expenditure Account without making adjustments to the opening and closing balances of the relevant accounts. The correct revenue had been Rs. 7,038,802 and therefore the revenue for the year under review had been understated in a sum of Rs.273,574.
- (f.) Instead of debiting the payments to Creditors amounting to Rs. 99,745 on voucher No. 61 in April 2013, it had been debited to the expenditure for the year under review. Due to that, expenditure for the year and Creditors Account had been overstated to that extent.
- (g.) Rates, Acreage Tax, and Business Tax amounting to Rs. 83,689, Rs. 2,599 and Rs. 6,950 received respectively during the year relevant to the ensuing year should have been credited to the Receipts in Advance Account after debiting the Cash Account. Instead, the relevant Revenue Accounts had been debited again having debited the Cash Account.
- (h.) Although the receipt of Stamp Revenue for the year under review had been Rs.5,906,422 according to the Summary Revenue Register, it had been credited as receipt of cash amounting to Rs. 5,910,587 in the Ledger Account.
- (i.) Interest Payment of Rs. 41,415 to the Local Loans and Development Fund and discount of Rs. 50,924 granted for Rates and Acreage Tax during the year under review had not been accounted as expenditure in the Revenue and Expenditure Account.
- (j.) Loan Balance of Rs. 3,178,457 relating to the Cab Vehicle given to the Sabha by the Department of Local Government on loan basis had not been accounted.
- (k.) Although the payments of Staff Loans according to the Summary Expenditure Register (P.S.20) relevant to the General Account of the Sabha were Rs. 595,000, payment of Staff Loans according to the Payments summary as at 31 December 2013 had been Rs. 209,690. Similarly, with the payments of Staff Loans amounting to Rs. 776,673 made from the Staff Loans Current Account, the total Staff Loans Payments during the year had been Rs. 1,371,574; it had been accounted as Rs. 916,454.

- (1) Although a cash payment of Rs. 25,485 had been accounted in the Stamp Tax Payable Ledger Account, such a payment had not been recorded in the Cash Book or the Summary payment Register.

1.3.3 Lack of Evidence for Audit

Transactions totalling Rs. 156,807,819 could not be satisfactorily vouched in audit due non-submission of required information.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 amounted to Rs. 6,465,286 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 3,062,678.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs. '000	Rs. '000	Rs. '000
(i)	Rates and Taxes	2,538	2,226	468
(ii)	Lease Rent	870	870	745
(iii)	Licence Fees	145	144	925

2.2.2 Court Fines and Stamp Fees

Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were as follows.

	Rs.
Court Fines	4,231,075
Stamp Fees	852,162

2.2.3 Other Revenue

Certificates of Conformity had not been obtained for 2 sub-partitioning of land in terms of Clause 8 A (1) of the Urban Development Authority (Amendments) Act No. 04 Of 1982 and therefore a revenue of Rs. 10,000 had been lost.

3. Operating Review

3.1 Contract Administration.

Following observations are made.

(a) Sabha Works

Any steps had not been taken to fulfill 06 Works estimated for a value of Rs. 2,164,481.

(b) Works under Maga Neguma Project

Although 120 Works had been approved under Maga Neguma Project, only 22 Works estimated at a value of Rs.10,771,902 had been performed.

Sixty seven Works agreed for a sum of Rs.35,000,000 during the year 2013 had not been implemented up to 18 February 2014, date of audit.

While estimates valued at Rs. 9,425,967 for 18 Works only had been signed, any action had not been taken with regard to 13 Works approved for a sum of Rs. 6,700,000.

(c) Udawela Thalagahaliyedda Road Stage 1, 2 and 3

It had been estimated to improve this road by spreading blocks of stones to a length of 251 meters and to a width of 2.44 meters for a sum of Rs. 1,500,000. Following matters were revealed in the physical examination carried out with regard to the Works with the Technical Officer of the Sabha on 19 February 2014.

- A Road Map (including the work fulfilled at each stage) had not been filed to facilitate the identification of the road reconstructed specifically.
- In terms of the Circular No. MH/MG//03/01/PEN dated 24 December 2009 of the Director (Maga Neguma) of the Ministry of Highways and Irrigation Development, compressive strength of the blocks of stones to be spread on the road should not be less than either N/mm²-18 after 7 days or N/mm² - 25 after 28 days. Therefore it is necessary to test the compressive strength of the blocks of stones to ensure that those are up to the relevant standard, before spreading those on the road. It was observed that the above Work had been completed on 13

November 2013 according to the work completion report and blocks of stones had been sent to the Central Laboratory of the Road Development Authority on 20 November 2013 for testing the standard of the compressive strength after spreading the stones on the road. On 28 November 2013 it had been informed that the compressive strength of the stones sent were not up to the required standard. Accordingly, stones spread having spent a sum of Rs. 832,932 did not conform to the relevant standard. The payment of Rs. 1,418,854 being the expenditure incurred on this Project had been refused by the Ministry of Highways, Harbor and Navigation and the bills had been returned to the Sabha on 03 January 2014.

(d) Gorakagoda Vendesiwatta Road

Estimates had been prepared for a sum of Rs. 499,841 to develop this road by spreading concrete blocks to a length of 88 meters and a width of 2.44meters. Following mater were observed in the physical inspection carried out on 19 February 2014.

- Although a sum of Rs. 19,669 had been paid for cutting elevated places and leveling according to the item 1.2 of the final payment report, stones spread to a distance of about 28 meters from the beginning of the road had got sunk.
- Although the compressive strength of the stones to be spread should not be less than N/mm² -25 in 28 days, it had been stated in the quality test report of the Road Development Authority that the required level of compressive strength was not found in the stones laid for this road. Accordingly payments had been refused by the Ministry of Highways, Harbor and Navigation and the bills had been returned to the Sabha.

(e) Girikola Bate Walakada Drinking Water Scheme.

Agreements had been signed with the Girikola Samurdhi Force on 03 December 2012 for an estimate of Rs. 978,224 in connection with the above water scheme. Nearly a period of one year had been elapsed after making a payment of Rs. 1,148,948 as final payment having constructed the water tank and laying the pipes.

Expenditure incurred for this Project targeting 600 beneficiaries had become fruitless, as it had not been possible to obtain water to the beneficiaries, due to non-laying of water pipes on either side of the road up to 17 February 2014 , date of audit.

3.2 Operational / Management Inefficiencies.

- (a.) Although an advance given for a particular work should be settled immediately after completion of the relevant Work in terms of the Financial Regulation 371(a) of the Republic of Sri Lanka, action had not been taken to settle the Advance Account Balance of Rs. 269,364 paid during the period from the year 1993 to 2006 even as at 17 February 2014, date of audit.

- (b.) Action had not been taken in terms of Financial Regulations 570, 571 and 572 with regard to a sum of Rs. 721,106 deposited in the General Deposits Account during the period from the year 2008 to 2011, even as at 17 February 2014, date of audit.
- (c.) Although surcharges amounting to Rs. 88,234 had to be paid for the period 2006 to 2013 due to non-payment of monthly contributions of Employees' Trust Fund and the Employees' Provident Fund, on the specified date, those payments had not been paid even as at 18 February 2014, date of audit.

3.3 Assets management

- (a.) A survey had not been carried out by a Board of Inquiry consisting of the Chairman/Vice Chairman/Works Superintendent/Technical Officer and another officer authorized by the Secretary to the Sabha with regard to 79 blocks of land belong to the Sabha in terms of Clause 218 of the Chapter XIV of the Gazette No. 55/4 dated 17 April 1988.
- (b.) A survey had not been carried out with regard to the vehicles belong to the Sabha in terms of Financial Regulation 1647 (a) of the Republic of Sri Lanka.
- (c.) A Register of Fixed Assets had not been maintained in respect of Computer Components and Software in terms of Treasury Circular No. IAI/2002/02 dated 28 November 2002.

4. Systems and Controls

Special attention is needed in the following areas of controls.

- (i) Accounting
- (ii) Budgeting
- (iii) Revenue Administration
- (iv) Assets Management
- (v) Contracts Administration