

## **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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 02 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 04 August 2015.

##### **1.2 Opinion**

In view of significance of 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 2014 and its financial performance and cash flows for the year then ended.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

Following observations are made.

- (a) Although the loan installments amounting to Rs.1,059,409 deducted from the salary reimbursements during the year under review should be added to the Revenue Grants Account, that balance had been shown deducted from the account. Due to that, the balance of the Revenue Grants as at the end of the year under review had been understated in a sum of Rs.2,118,818.
- (b) Salary Reimbursements amounting to Rs.1,364,076 receivable relevant to the year under review had been accounted only in the Revenue Grants Accounts.
- (c) While the Creditors balance of Rs. 29,575,556 as at the end of the preceding year had been taken as Rs. 29,389,071 to the Trial Balance and had been balanced accordingly. That wrong balance had been shown as the opening balance of the Creditors Ledger for the year under review and a sum of Rs. 186,476 had been added to that account. However, corresponding entry to that had not been accounted.

### 1.3.2 Lack of Evidence for Audit

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Transactions totaling Rs. 81,940,449 brought forward from a period prior to the year 2013 could not be satisfactorily vouched in audit due to lack of schedules or registers showing individual Creditors balance.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs. 5,277,810 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 6,465,286.

### 2.2 Revenue Administration

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

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Information as furnished by the Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs. '000	Rs. ' 000	Rs. '000
(i)	Rates and Taxes	2,799	2,161	952
(ii)	Lease Rent	2,048	1,894	155
(iii)	Licence Fees	137	137	-

#### 2.2.2 Rates

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While a sum of Rs. 431,892 only had been recovered as at 15 July 2015 out of the arrears of rates amounting to Rs. 912,926 outstanding as at the end of the year under review, a further sum of Rs. 481,034 was due to be recovered.

#### 2.2.3 Acreage Tax

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While Acreage Tax balance in arrears amounting to Rs. 9,415 was due from 41 taxpayers as at 30 November 2014, amount in arrears during a period of 5 years and more included therein was Rs. 2,276.

### **3. Operating Review**

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#### **3.1 Transactions without adequate authority**

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A sum of Rs. 180,500 had been spent out of the Sabha Fund in excess of the limit of approval obtained from the Chief Minister and Minister of Local Government for expenditure to be incurred spent for festivals activities of the Sabha during the year under review.

#### **3.2 Contract Administration**

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In terms of provisions in Clause 3.9.1 of the Government Procurement Guidelines, when awarding contracts to community based organizations on direct labor basis total number of contracts to be performed by a society during a particular period should not exceed more than three contracts. However, contrary to those provisions, 05 and 04 Projects had been awarded to two societies during the same period.

#### **3.3 Management Inefficiencies**

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- (a) A Fixed Assets Register had not been maintained in respect of Computer Accessories and Software in terms of Treasury Circular No. IAI/2002/02 dated 28 November 2002.
- (b) Environmental Licenses had not been issued to one business place since the year 2012, to 02 business places since the year 2013 and to another business place since the year 2014 in terms of the Procedure for issue of Environmental Licenses, as per instructions given relating to delegation of authority to Local Authorities and exercise of such authority.
- (c) While the Chairman of the Sabha and 08 Members had participated in a foreign tour, a sum of Rs.1,357,710 had been spent out of the Sabha Fund for that.  
Following observations are made.
  - (i.) Provision for foreign tours had not been made in the budget estimates for the year 2014.
  - (ii.) While the above mentioned foreign travel expenditure had been incurred from the Members Development Proposals Expenditure Item due to non-allocation of provisions, savings available under that Expenditure Item as at that date had been Rs. 1,007,675. While a sum of Rs. 350,035 had been spent exceeding provisions due to that, provisions in Section 170 of the Pradeshiya Sabha Act No. 15 of 1987 and provisions in Paragraph 14 of Chapter 11 of Pradeshiya Sabha (Financial and Administrative Rules of 1988 had not been followed in incurring the above mentioned expenditure.

- (d) Action had not been taken even up to the end of the year under review to settle Nation Building Tax balance of Rs. 43,795 brought forward from the year 2010 and Valued Added Tax balance of Rs. 754, 610.

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

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

- (a) Accounting
- (b) Revenue Administration
- (c) Expenditure Control
- (d) Vehicles Control
- (e) Projects Administration