

Walallawita 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 26 March 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 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 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 Walallawita Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a) Although the surplus of the Revenue and Expenditure Account for the year under review was Rs. 647,027 in transferring that to the Accumulated fund it had been recorded as Rs. 617,027.
- (b) Expenditure incurred amounting to Rs. 15,000 for the purchase of Furniture and Equipment during the year under review had not been recorded in the Revenue and Expenditure Account.
- (c) When capitalizing the value of the Cab Vehicle amounting to Rs. 3,178,457, only the value of number of installments paid should be capitalized in terms of the letter dated 20 August 2014 of the Provincial Commissioner of Local Government. Although the value of installments paid by the Sabha as at the end of the year under review was Rs. 1,412,546, the full value had been capitalized. Due to that balances of the Motor Vehicles and Carts Account and Contribution from Revenue to Capital Outlay Account had been overstated by Rs. 1,765,911.

- (d) Loan Installments amounting to Rs. 756,721 of the Cab Vehicle deducted from salary reimbursements for the year under review had not been accounted as per instructions given in the letter referred to above. Due to that, the balance of the Utility Services Account and Provincial Council Loan Account had been overstated while revenue and expenditure for the year had been understated to the extent of that value.
- (e) Similarly, when accounting during the year under review, Loan Installments amounting to Rs. 655,825 deducted in the preceding year, amount to be added to the Salary Reimbursements Account had not been accounted in the Accumulated Fund Account, while only the expenditure had been accounted.
- (f) A sum of Rs. 50,000 deducted from Stamp Fees Receivable to the Sabha for the year under review on account of debt payable to the Provincial Roads Development Authority for repairs carried out to a cab vehicle had not been accounted.
- (g) In addition, the sum of Rs. 250,000 deducted from the salary reimbursement receivable to the Sabha for the year under review by the Department of Local government on account of the further sum outstanding for this repair, which should be credited to the Revenue Grants account having debited the Creditors Account, had been debited to the Capital Expenditure in stead of the Sundry Creditors Account.
- (h) While a sum of Rs. 1,284,841 had been deducted from the Loan account out of the sum of Rs. 1,525,713 paid during the year under review for loans obtained from the Local Loans and Development Fund, balance sum of Rs. 240,872 being interest and bank charges had not been recorded in the Revenue and Expenditure Account.
- (i) When making payment amounting to Rs. 31,250 for which provision for creditors had not been made, it had been erroneously debited to the Creditor Account. In order to correct that error, only the Suspense Account had been debited, instead of crediting the Creditors Account and debiting the Accumulated Fund in a sum of Rs.31,250.
- (j) For correction of error of omission of Sabha Works Expenditure amounting to Rs.1,581,665 of the preceding year, it had been accounted in the Suspense Account, instead of accounting in the Work Creditors Account during the year under review.
- (k) Donations of Machinery and Equipment and Library Books amounting to Rs.1,687,774 and Rs.119,817 respectively, during the year under review had been accounted in the Contribution from Revenue to Capital Outlay Account, instead of accounting under Donations.
- (l) Although the Cash and Cash Equivalents at the end of the year under review was Rs. 3,230,224, according to the Cash Flows Statement prepared, it had been shown as Rs. 107,708,943.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs. 358,309,497 could not be satisfactorily vouched in audit due to non-submission of required Information to audit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 had been Rs.1, 288,036 as compared with the excess of revenue over recurrent expenditure amounted to Rs.3,408,718 in the preceding year.

2.2 Bank Accounts

Following matters are observed.

- (a) Action had not been taken to settle transfer of cash among accounts, direct credits totalling Rs.2,394,836 included and shown continuously in the bank reconciliation statements, even up to 03 July 2015, date of audit.
- (b) While action in terms of provisions in Financial Regulation 188(2) of the Republic of Sri Lanka had not been taken with regard to cheques and cash deposited, but not realized amounting to Rs.343,683 as at 31 December 2014, some balances included therein were relevant to the years 2010 and 2011.
- (c) Action in terms of provisions in Financial Regulation 396(d) had not been taken with regard to 107 cheques issued, but not presented for payment exceeding 06 months amounting to Rs.360,646, relevant to two bank reconciliation statements of two current accounts, prepared as at 31 December 2014, even up to 03 July 2015, date of audit.
- (d) There was a long delay in preparation of bank reconciliation statements.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information as furnished by the Secretary relating to Estimated Revenue, Actual Revenue and arrears of Revenue relevant to the year under review are shown below.

Source of Revenue -----	Estimated for the year 2014 -----	Actual -----	Cumulative Arrears as at 31 December -----
	Rs. '000	Rs. ' 000	Rs. '000
Rates and Taxes	2,783	1,658	2,267
Lease Rent	29	29	-
License Fees	5,000	4,637	326

2.3.2 Rates

While balance of Rates in arrears as at 31 December 2014 was Rs.1,852,765, out of that a sum of Rs.294,932 or 16 per cent only had been recovered as at 30 June 2015.

2.3.3 Acreage Tax

While balance of Acreage Tax in arrears as at 31 December 2014 was Rs.70,268, out of that a sum of Rs.9,048 or 12.8 per cent only had been recovered as at 30 June 2015.

2.3.4 Industrial Tax

While balance of Industrial Tax in arrears as at 31 December 2014 was Rs.119,210, out of that a sum of Rs.49,000 or 41 per cent only had been recovered as at 30 June 2015.

2.3.5 Business Tax

While balance of Business Tax in arrears as at 31 December 2014 was Rs.225,040, out of that a sum of Rs.131,520 or 58 per cent only had been recovered as at 30 June 2015.

2.3.6 Ferry Rent and Meat Stalls Rent

While Ferry Rent and Meat Stalls Rent in arrears as at 31 December 2014 were Rs.26,550 and Rs.56,636 respectively, out of those, although Ferry Rent amounting to Rs.14,000 had been recovered as at 30 June 2015, any Meat Stalls Rent had not been recovered.

2.3.7 Land Auctions

Although a revenue of 1 per cent should be obtained by the Sabha from the sale proceeds of lands auctions in the area of authority of the Sabha in terms of Section 154(1) of the Pradeshiya Sabha Act No.15 of 1987, without taking action accordingly, a sum of Rs.224,357 as 1 per cent of the gross estimate prepared by the Revenue Overseer of the Sabha had been obtained from two land sales during the year 2014. Action had not been taken to obtain the balance money after adjusting the difference between the estimate and the market selling price.

2.3.8 Court Fines and Stamp Fees

A sum of Rs. 6,607,115 was receivable as Court Fines from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Improper Transactions

A sum of Rs. 78,000 had been paid to a private institution for the purchase of Hume Pipes on 22 January 2014. Instead of presenting this expenditure to the Sabha for getting the sanction of the Sabha, ten vouchers had been prepared reducing to less than Rs. 10,000 to enable the Chairman and Secretary to approve it and payment had been made by one cheque.

3.2 Contracts Administration

(a) Constructions

Following matters were observed at the physical inspection carried out on 09 July 2015 with regard to following constructions.

(i.) Development of Culvert on the Gallanahena Road – Cost Rs. 200,000

- Although a sum of Rs. 14,012 had been estimated under Item 12 of the above Project Estimate for making and fixing 12 protective stones of size (12' x 12' x 15') and that amount had been paid, only 06 Protective Stones of that size had been made.
- Although a sum of Rs. 6,000 had been estimated under Item 13 of the Estimate for making Name Board of the Project and that amount had been paid, such a Name Board had not been fixed.

(ii.) Non-making Name Boards

Although a sum of Rs. 30,000 had been estimated for making 05 Name Boards at the rate of Rs. 6,000 per board for 05 Projects and payments had been made, Name Boards had not been fixed for those Projects.

(iii.) Iththapana Weekly Fair

A methodology had not been made to hang weighing scales for stalls in the building constructed for the Weekly Fair under the Pura Neguma Project. Due to that, it had not been possible to utilize the weekly fair for trading activities up to 03 July 2015, date of audit.

- (b) Abandoned Projects
Two Projects estimated at a value of Rs. 1,312,000 and commenced works during the year 2014 had been stopped half way without being completed even as at 03 July 2015, date of audit.
- (c.) Fulfillments of Number of Contracts by Same Society during Same Period
Although according to the Public Finance Circular No. 1/2012 dated 05 January 2012, when assigning direct contracts to Community Based Societies, relevant society should not engage in more than 3 contracts at a time, contrary to that, 04 to 07 contracts had been performed by 03 societies during a same period.
- (d) Issue of Hume Pipes
- (i.) Although the Assistant Commissioner of Local Government, Kalutara had informed the Secretary of the Sabha to suspend issue of Hume Pipes due to problems arisen with regard to quality of 46 Hume Pipes of various sizes purchased for a sum of Rs. 266,700 during the year 2015, 28 Pipes out of those had been issued for use as at 09 July 2015, date of audit. The balance 18 Hume Pipes were in the Iththapana Sub Office and the Walallawita Sabha Ground.
- (ii.) Although it had been recorded that 04 Hume Pipes purchased for a sum of Rs.17,550 during the year under review were issued to Pussawela Road, at the physical inspection carried out on 09 July 2015 the Technical Officer failed to point out the places where the Hume Pipes were utilized.

3.3 Operational/Management Inefficiencies

Following observations are made.

- (a) Advances amounting to Rs. 204,440 granted during the period from the year 2008 to 2013 had not been settled up to 03 July 2015, date of audit.
- (b) Security money had not been recovered from 19 employees who are required to furnish security as directed in Paragraph 02 of the Circular No. LG/05/2004 dated 09 July 2004 of the Commissioner of Local Government.
- (c) Action had not been taken up to 09 July 2015, date of audit, to recover Staff Loans amounting to Rs.105,183 outstanding to be recovered from 11 officers who were in service of the Sabha and left on transfers, and who had vacated service.
- (d) Although an income of Rs.18,000 had been derived from sale of compost fertilizer by the Walalawita Head Office according to revenue reports of the Sabha during the year 2014, stock books had not been maintained to confirm the quantity of fertilizer produced , quantity of fertilizer sold and the balance stock.

- (e) Action had not been taken up to 09 July 2015, date of audit, to remit abatements amounting to Rs. 283,400 made from salaries of the Sabha employees during the period from the year 2011 to 2013 to the Employees Provident Fund, Employees Trust Fund, various banks and societies.

3.4 Vehicles Control

Following observations are made.

- (a) Log Books had not been maintained in respect of any vehicle belong to the Sabha.
- (b) A register had not been maintained indicating details relating to spare parts, equipment, tools and goods removed when repairing vehicles.
- (c) Fuel consumption of vehicles had not been tested at least once in 06 months in terms of directions in Public Administration Circular No. 41/90 dated 10 October 1990.
- (d) Two vehicles handed over to garages for repairs during the year 2013 had not been handed back up to 09 July 2015, date of audit.

3.5 Human Resources Management

Following observations are made.

- (a) Shortage of 07 employees of the approved cadre and a surplus of 09 employees were observed.
- (b) In addition to this, two casual Ayurvedic Medical Officers, four Casual Employees and a Graduate Trainee Female Officer had been engaged in service and salaries had been paid out of the Sabha Fund.

4. Systems and Controls

Special attention is needed in the following areas of controls.

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Financial Control
- (d.) Revenue Administration
- (e.) Assets Management
- (f.) Vehicle Utilization
- (g.) Staff Management
- (h.) Contracts Administration