

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 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 30 June 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 Agalawatta Pradeshiya Sabha as 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 deficiencies are observed.

- (a) Credit Purchase of Stationery amounting Rs. 514,460 relevant to the year under review had been shown in the accounts as an expenditure of the year, instead of debiting the Stock Account. Due to that; Supplies and Equipment expenditure had been overstated in a sum of Rs. 514,460, and Supplies and Equipment Stock account had been understated in a sum of Rs. 514,460 in the accounts.
- (b) In order to rectify the error pointed out in paragraph 2.2.1 (e) of the Audit Report 2014, Creditors account should be debited in a sum of Rs. 99,745 and Accumulated Fund Account should be credited to the extent of that value. However, Accumulated Fund Account had been debited in a sum of Rs.99,745 Creditors Account had been credited through the journal entry 08. Due to that; Creditors account had been overstated and Accumulated Fund had been understated at the rate of Rs. 99,475.
- (c) Capital Grants of Rs. 7,273,757 and Capital Expenditure of Rs. 7,273,757 relevant to the year under review had not been accounted.
- (d) Loan Interest of the Local Loans and Development Fund for year under review amounting to Rs. 90,988 and Loan Installments amounting to Rs. 560,334 payable at the end of the year under review had not been accounted.

- (e) Although the value of Computer Machines amounting to Rs. 556,160 purchased during the year under review should be shown as a capital expenditure in the Revenue and Expenditure account, it had been shown under supply and Equipment Expenditure.

1.3.2 Non-reconciled Control Accounts

- (a) While the total of balances relevant to 08 items of accounts according to financial statements was Rs.54,470,927, balance according to schedules was Rs. 51,546,592.
- (b) Although the value of Work Creditors at the end of the year under review according to Work Creditors Register was Rs. 607,945, according to the ledger it had been Rs.6,167,661. Accordingly a difference of Rs. 5,559,716 was observed. Reasons for that difference were not revealed.

1.3.3 Lack of Evidence for Audit

Four balances of accounts totaling Rs. 23,045,625 due to non- rendition of detailed schedules and 2 items of accounts totaling Rs. 12,885,675 due to lack of registers and documents could not be satisfactorily vouched in audit.

1.3.4 Accounts Receivable and Payable

- (a) Action had not been taken even at the end of the year under review to settle Nation Building Tax balance of Rs. 43,795 and Value Added Tax balance of Rs. 754,610 being brought forward since the year 2010.
- (b) Action had not been taken even at the end of the year under review to settle the balance of Rs. 7,543,251 payable to the Palindanuwara Pradeshiya Sabha and balance of Rs. 5,342,424 receivable from the Palindanuwara Pradeshiya Sabha being brought forward since the year 2010.
- (c) While the balance receivable from Palindanuwara had been shown as Rs. 5,342,424 according to accounts of the Agalawatta Pradeshiya Sabha, it had been shown as Rs.6,862,872 according to Palindanuwara accounts, and the balance payable to the Palindanuwara had been shown as Rs. 7,543,251 in the accounts. However, according to the Palindanuwara accounts, it had been Rs.6,166,759. Action had not been taken to get letters of confirmation of balances in order to correct the Receivable and Payable balances.

1.3.5 Non-compliance with Laws, Rules, Regulation etc

Action in terms of Financial Regulation 396(d) had not been taken with regard to cheques valued at Rs. 69,658 issued, but not presented for payment to the bank as at 31 December 2015.

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 2015 had been Rs.2,516,651 as against the excess of recurrent expenditure over revenue amounted to Rs. 5,277,810 in the preceding year.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue totaling Rs. 1,074,437 at the end of the year under review had not been recovered in terms of provisions in Sections 158 and 159 in the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Rates

Out of the balance of Rates in arrears amounted to Rs. 912,926 as at 01 January 2015, a sum of Rs. 579,205 or 63 percent only had been recovered as at 31 December 2015.

2.2.3 Publicity Advertisements Charges

Action had not been taken in terms of Gazette notification No. 1891 dated 28 November 2014 to recover charges amounting to Rs. 168,889 for 34 publicity advertisements /name boards, even as at 31 December 2015.

2.2.4 Court Fines and Stamp Fees

A sum of Rs. 6,917,958 was due to be received from the Chief Secretary to the Provincial Council and other authorities as shown below.

	Rs.
Court Fines	4,914,424
Stamp Fees	2,033,534

3. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration