

## **Dodangoda 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 2014 while Financial Statements relating to the preceding year had been submitted on 27 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 14 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 Dodangoda 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 Accounting Deficiencies**

Following observations are made.

- (a.) Although the Capital Expenditure amounting to Rs. 55,075 according to the Monthly Consolidated Expenditure Summary together with the loan installments of Rs. 706,273 relevant to the cab vehicle, amounted to Rs.761,348, a sum of Rs.816,423 had been accounted in the Revenue and Expenditure Account. Due to that, Capital Expenditure for the year under review had been overstated in a sum of Rs.55,075.
- (b.) When correcting the error of omission of debiting the balance of Discount Allowed relating to the year 2011, during the year under review, a sum of Rs.41,852 had been credited only in the Accumulated Fund.
- (c.) While Stamp Fees Revenue in arrears as at 01 January 2013 had been Rs.7,767,897, a sum of Rs.8,658,112 had been received for that. Instead of debiting the sum of Rs.890,215 received in excess to the Stamp Fees Revenue in arrears and crediting the Accumulated Fund, a sum of Rs. 4,408,112 had been debited to the Stamp Fees Revenue in arrear and credited the Revenue and Expenditure Account. Due to this, the revenue for the year under review had been overstated in a sum of Rs.4,408,112.

- (d.) Although the correct balance had been Rs. 7,767,897 in balancing the Stamp Fees Revenue in arrears, it had been balanced as Rs. 3,359,785 and shown in the Balance Sheet.
- (e.) While Fixed Assets purchased for Rs. 73,062 had not been capitalized, those assets had not been recorded in the Register of Fixed Assets.
- (f.) Although the balance in the Staff Security Account as at the end of the year under review had been Rs. 70,820 according to the Ledger, it had been recorded as Rs.70,820 in the Balance Sheet.
- (g.) Estimated expenditure of Rs. 1,000,000 for 2 Projects not commenced even as at 09 July 2014, date of audit, had been accounted as expenditure and provisions had been made under Creditors. Due to that, expenditure for the year under review and the Works - Creditors' balance had been overstated to the extent of that value.
- (h.) While the value of cab vehicle amounting to Rs.3,178,456 given to the Sabah on loan basis from the Department of Local government during the year 2013 had not been accounted, loan installments amounting to Rs.706,272 paid for that had not been capitalized.

### **1.3.2 Lack of Evidence for Audit**

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Transactions totalling Rs. 96,307,863 could not be satisfactorily vouched in audit due non-submission of required information.

## **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 for the year ended 31 December 2013 amounted to Rs. 3,569,580 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,626,457.

### **2.2 Revenue Administration**

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

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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	3,640	1,939	7,557
(ii)	Lease Rent	241	141	176
(iii)	Licence Fees	123	123	176

### 2.2.2 Rates

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While the balance of Rates in Arrears as at 31 December 2013 was Rs. 5,718,634, balances outstanding for more than 5 years included therein had been Rs. 3,378,122. Balances amounting to Rs. 1,998,958 were relevant to a period between 1 year to 5 years. A sum of Rs. 669,596 only had been recovered as at 30 July 2014 out of those balances.

### 2.2.3 Acreage Tax

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While the balance of Acreage Tax in Arrears as at 31 December 2013 was Rs. 1,335,234, there were balances outstanding for more than 5 years amounting to Rs.1,317,549 therein. A sum of Rs.36,381 only had been recovered out of the balances in arrears as at 30 July 2014.

### 2.2.4 Industrial and Business Tax

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The balances of Business Tax and Industrial Tax in arrears as at 31 December 2013 were Rs.402,390 and Rs.100,500 respectively and among those, there were balances outstanding for more than 5 years amounting to Rs.198,580 and Rs.39,200. Out of those outstanding balances, only Rs. 48,200 and Rs.8,250 respectively had been recovered even up to 30 May 2014.

### 2.2.5 Stall Rent

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(a.) There were arrears of Stall Rent amounting to Rs. 101,500 as at 31 December 2013. Although balances outstanding for more than 5 years amounting to Rs. 24,750 and balances in arrears between 1 and 5 years amounting to Rs. 37,912 were included therein, action had not been taken to recover those outstanding balances even up to 30 May 2014.

(b.) Agreements relating to Stalls Nos. 06, 128 and 129 too had not been renewed.

### 2.2.6 Court Fines and Stamp Fees

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

Rs.

Court Fines	12,816,478
Stamp Fees	3,359,785

### 3. Operating Review

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#### 3.1 Management Inefficiencies

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Following observations are made.

(a) Payment of Advances

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Action had not been taken even up to 10 July 2014, date of audit, to recover the Advance Account balance of Rs. 173,523 that was being brought forward since the year 1981.

(b) Bank Reconciliations

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Action in terms of Financial Regulation 396 (d) of the Republic of Sri Lanka had not been taken even up to 30 May 2014, with regard to 5 cheques amounting to Rs. 119,900 issued, but not presented for payment as at 31 December 2013.

(c) Time Lapsed Deposits

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Action in terms of Financial Regulation 571 had not been taken with regard to time lapsed deposits amounting to Rs. 1,382,108 for more than 2 years.

(d) Vehicle Accidents

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While the cab vehicle and a tractor belong to the Sabah had met with accidents on 26 April 2013 and on 27 February 2013 respectively, action in terms of Financial Regulations 102, 103 and 104 of the Republic of Sri Lanka had not been taken even up to 26 April 2014.

(e) Corporate Plan

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A Corporate Plan had not been prepared for period not less than 3 years in order to achieve the vision and mission of the Sabah.

(f) Procurement Plan

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An Annual Procurement Plan had not been prepared for the year under review.

### **3.2 Assets management**

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- (a.) Although the Board of Survey should be conducted as at 31 December of every year in terms of Financial Regulation 756 of the Republic of Sri Lanka, Board of Survey for the year 2013 had not been conducted even as at 30 May 2014.
- (b.) Although a full survey should be conducted as at 31 December of every year with regard to the vehicles and equipment of those vehicles, belong to the Sabha in terms of Financial Regulation 1647(b) such survey had not been conducted annually.
- (c.) A Fixed Assets Register relating to the Computer Components and Software to be maintained in terms of Treasury Circular No. IAI/2002/02 dated 28 November 2002 had not been maintained.

### **3.4 Internal Audit**

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Action had not been taken to establish an Internal Audit Unit in terms of Financial Regulations 128, 132 and 134 of the Republic of Sri Lanka and instructions in the Circular No.WP/LGD//10/2008 dated 19 August 2008 of the Commissioner of Local Government.

### **5. Systems and Controls**

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Special attention is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Budgetary Control
- (iii.) Revenue Administration
- (iv.) Stock Control
- (v.) Project Administration