

Nawagattegama Pradeshiya Sabha

Puttlam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 29 April 2014 and the financial statements for the preceding year had been presented on 13 May 2013. The report of Auditor General for the year under review was sent to the Chairman on 09 December 2014.

1.2 Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Nawagattegama Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) The Cab bearing No.53-6134 valued at Rs.1,500,000; the computer printer valued at Rs.15,500; the Pradeshiya Sabha building valued at Rs.774,000 and 11 community halls valued at Rs.2,040,000 had been omitted from the financial statements.
- (b.) Stamp fees receivable had not been computed and provision had not been made for audit fees.
- (c.) The closing stock of the year had been understated by Rs.13,767 and retention money of 10% amounting to Rs.28,500 refunded on 22 November 2012 had been shown in the financial statements for the year under review as refundable deposits.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.10,540,765 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 amounted to Rs.845,515 as against the excess of revenue over recurrent expenditure amounting to Rs.72,811 for the preceding year.

2.2 Accounts Receivable and Payable

- (a.) The total of the balances of accounts receivable as at 31 December 2013 amounted to Rs.10,324,438 and the balances outstanding for over one year amounted to Rs.21,000.
- (b.) The total of the balances of accounts payable by the Sabha to outside parties as at 31 December 2013 amounted to Rs.9,216,911 and the balance over 02 years amounted to Rs.628,155.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and arrears of revenue relating to the year under review as presented by the Chairman is shown below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Lease Rent	1,687	720	967
(ii)	Licence Fees	141	100	41
(iii)	Court Fines	2,436	2,042	394
(iv)	Other Revenue	14,164	507	13,657

2.3.2 Lease Rent

The Library building owned by the Sabha had been leased out to the Samurdhi Bank, Kirimetiya on 02 October 2009 up to November 2011 at monthly rent basis. Outstanding stall rent amounting to Rs.18,000 for the period April 2010 to 02 May 2014; the date of audit examination had not been recovered.

2.2.3 Court Fines and Stamp Fees

Money receivable as at 31 December 2013 from the Chief Secretary and other authorities had not been computed and brought to account.

3. Operating Review

3.1 Idle and Underutilized Physical Resources

The Mini Kubota tractor and trailer valued at Rs.332,500 given to the Sabha on 18 June 2003 had been lying idle for over a number of years and action had not been taken to acquire this up to date.

3.2 Contract Administration

The following weaknesses were detected at the field inspection carried out on 20 January 2014 in respect of a few roads developed by laying inter-locking blocks and concreting.

- (a.) Both sides of the concrete shoulders had not been adequately graveled and rolled to a width of 02 feet.
- (b.) The concrete shoulders of the both sides of the road had been cracked at certain places.
- (c.) The width and height of the concrete shoulder are not up to the standard.
- (d.) The inter-locking blocks had not been laid evenly.
- (e.) Action had not been taken to extend the period of agreement in respect of jobs not completed within the time period in terms of the agreement.

3.3 Operating Inefficiencies

The following observations are made.

- (a.) The Sabha had not passed a by-law with a view to recover road maintenance tax and as such, the Sabha was not able to recover the above tax.
- (b.) The unit production cost had not been calculated through preparation of a manufacturing account for the Inter-locking Blocks Manufacturing Project and the transactions had been included in the Income and Expenditure Account without calculating separately the profit/ loss of the Project.

- (c.) There had been no permanent location for the Inter-locking Blocks Manufacturing Project and presently it is located in the fair site.
- (d.) The Cab-bearing No.252-6364 which had faced an accident on 15 September 2013 had not been repaired and put to use even by 02 June 2014; the date of audit examination.
- (e.) The land and buildings valued at Rs.5,751,463 accounted as fixed assets of the Sabha had not been vested with the Sabha by a title deed or a licence.
- (f.) The running charts and monthly summaries of the vehicles had not been submitted to the Auditor General in terms of the Financial Regulations 1645 and 1646 of the Republic of Sri Lanka.

3.3 Internal Audit

An adequate internal audit had not been carried out by the institution.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Control over Contracts