

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 28 March 2014 while Financial Statements relating to the preceding year had been submitted on 11 April 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 01 December 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 Walallawita 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Although a Cash Flow Statement should be submitted with the financial statements in terms of Sri Lanka Public Sector Accounting Standard No.2, a Cash Flow Statement for the year under review had not been submitted.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a.) Although the Billing for the year should be Rs. 670,000 after adjustment of cash receipts of Rs.939,500 according to the Summary Revenue Register, to the opening balance of Rs. 341,000 and closing balance of Rs. Rs. 71,500 of the Streets Lamps Grants (1/72) Ledger Account, opening balance had been erroneously recorded as Rs. 370,000 and value of Billing had been shown as Rs.848,000.
- (b.) Although the Rent Income in Programme 5 was Rs. 509,617 according to the Summary Revenue Register, it had been recorded as Rs. 5,187,234 to the Revenue and Expenditure Account.

- (c.) Although the expenditure should be Rs. 5,236,488 after adjustment of Rs.145,598 to the Creditors balance according to cash payment of Rs. 5,090,890 under the Item of Expenditure 201 according to the Summary Expenditure Register, a sum of Rs. 145,598 only had been recorded in the Revenue and Expenditure Account. Accordingly, the expenditure for the year under review had been understated in a sum of Rs. Rs. 5,090,890
- (d.) Although the Creditors Balance in the Expenditure Item 304 had been Rs. 406,005, it had been recorded as Rs.412,630 in the in the Summary Expenditure Register. Accordingly the expenditure for the year relevant to that Expenditure Item should be Rs. 2,145,698, it had been accounted as Rs. 2,152,323 in the Revenue and Expenditure Account.
- (e.) Value of the Cab Vehicle amounting to Rs.3,178,457 provided by the Local Government Department on loan basis had not been accounted. Although the loans installments of Rs. 655,825 deducted from the Salary Reimbursements by the Local Government Department on account of that loan should be credited to the Salary Reimbursements Account and debited to the Expenditure account, it had been credited to a Capital Assets Debtors (Vehicles) Account and debited to Other Revenue in Arrears Account by the Sabha and the credit balance of the Capital Assets Debtors shown had been recorded to the debit of the Trial Balance.
- (f.) Although the balances of Work Creditors Account and the Cash Account No. 04 had been Rs. 115,319,299 and Rs. 544,829 respectively, according to the Main Ledge, financial statements had been prepared having shown those balances as Rs. 115,438,959 and Rs. 798,967 respectively, in the Trial Balance.
- (g.) A sum of Rs. 31,250 for which provision had not been made for Creditors during the preceding year had been included in the Creditors payments made in the month of April, amounting to Rs. 164,032 and debited to the Creditors account. Due to that Sundry Creditors balance had been understated to the extent of that value.
- (h.) Debit balance in the Suspense Account as at the end of the year under review was Rs. 2,498,977.

1.3.3 Lack of Evidence for Audit

(a.) Non-submission of Information to Audit

Transactions totalling Rs. 282,156,346 could not be satisfactorily vouched in audit due to lack of required information.

(b) Non-submission of Vouchers to Audit

Sixteen payment vouchers totalling Rs. 31,253 had not been submitted to audit up to 18 September 2014.

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 2013 had been Rs. 3,408,718 as against the excess of recurrent expenditure over revenue amounted to Rs.3,607,024 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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	5,332	3,292	3,247
(ii)	Lease Rent	10,476	9,383	811
(iii)	Licence Fees	5,400	133	6

2.3 Improper Transactions

Following observations are made.

- (i.) Although prior approval of the Minister should be obtained in terms of Clause 132(a) of the Pradeshiya Sabha Act No. 15 of 1987, when the total expenditure to be incurred for any religious, charitable, cultural, health, entertainment or educational activity exceeds Rs.1,000 per annum a sum of Rs. 87,216 for the Vesak Festival and a sum of Rs. 34,000 for the Literary Festival had been spent without obtaining such approval.
- (ii.) A sum of Rs. 36,000 for the period from January to December 2013 at the rate of Rs. 3,000 per month for the bungalow telephone of the Chairman and a sum of Rs. 30,000 at the rate of Rs. 2,500 for the mobile telephone of the Vice Chairman had been paid without obtaining the relevant telephone bills.
- (iii.) A sum of Rs. 16,900 had been paid to an outside individual for the preparation of final accounts for the year 2013 and the budget, while there had not been any shortage of Management Assistants of the approved cadre of the Sabha.

3. Operating Review

3.1 Operational Inefficiencies

(a.) Settlement of Advance

Although an advance given for a particular work should be settled immediately after completion of such work in terms of Financial Regulation 371(a) of the Republic of Sri Lanka, advances given from the year 2008 to the year 2013 totalling Rs. 233,940 had not been settled even as at 18 September 2014, date of audit.

(b.) Bank Reconciliations

Bank Reconciliation Statements relevant to 3 bank accounts of the Sabha had been prepared only up to the months of March, May and July 2014 even as at 18 September 2014, date of audit.

(c.) Cheques not presented for Payment

Action in terms of financial regulation 396 (d) had not been taken with regard to 29 cheques totalling Rs.104,769 which had not been presented for payment for a period exceeding 06 months, shown in the bank reconciliation statements prepared as at 31 December 2013 relevant to two bank accounts.

(d.) Staff Security

Security money had not been recovered from 19 employees who are required to furnish security.

(e.) Staff Loans

Action had not been taken even up to 18 September 2014, date of audit, to recover staff loans amounting to Rs.80,512 outstanding to be recovered from 7 officers who had left on transfers or vacated service after service in the Sabha.

(f.) Stores Control

At a sample physical examination of goods carried out on 11 September 2014 a surplus of 107 units of 03 items of stocks and a shortage of 19 units of 03 items of stocks were observed.

(g.) Identified Losses

A sum of Rs. 39,566 relating to Employees Provident Fund and a sum of Rs. 24, 863 relating to Employees Trust Fund had been paid as surcharges during the year under review due to non-payment of contributions on the specified dates on behalf of the temporary and casual employees of the Sabha.

(h.) Vehicles Accident

While a cab vehicle belongs to the Sabha had met with an accident on 18 November 2013, a sum of Rs. 764,313 had been paid for repairs to the vehicle. Action in terms of Financial Regulations 102 and 104 of the Republic of Sri Lanka had not been taken in that connection.

(i.) Remittance of Deductions

Action had not been taken even up to September 2014, time of audit to remit deductions of Rs. 519,070 made during March to September of the year under review on account of Employees Provident Fund, Employees Trust Fund, sundry banks and associations from the salaries of the Sabha employees and also a sum of Rs. 32,800 deducted from the Members Allowance during April to May 2013 to the relevant institutions.

3.2 Human Resources Management

(i.) There was shortage of 14 officers in 06 categories of posts between the approved cadre of the Sabha and the actual cadre.

(ii.) Six Road Labourers recruited on casual basis by the Sabah had been engaged in service.

4. Systems and Controls

Special attention is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Financial Control
- (iii.) Vehicle Utilization
- (iv.) Assets Management
- (v.) Staff Management