

Warakapola Pradeshiya Sabha
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 01 April 2014 and the financial statements for the preceding year had been presented on 10 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 11 September 2014.

1.2 Opinion

In my opinion except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Warakapola 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 Principles

Accounting policies followed in preparing accounts a reconciliation statement with actual figures and a statement of budgeted estimates and a cash flow statement had not been submitted along with the financial statements.

1.3.2 Accounting Deficiencies

- (a.) The sum of Rs.14,081,190 obtained from the Local Loans and Development Fund for the construction of the Health Centre in year 2010 had been spent through the general deposits account without being accounted under loan capital.
- (b.) The project of construction of the Health Centre had been completed by 03 January 2013 at a cost of Rs.42,670,273. But, this had not been accounted under land and buildings during the year under review.
- (c.) Although the value of all the land and buildings owned by the Sabha should be brought to account under fixed assets, action had not been taken to compute the value of 07 cemeteries, play grounds and the crematorium and brought to account.
- (d.) Interest amounting to Rs.45,420 receivable for the year under review in respect of fixed deposits had not been accounted.

1.3.3 Unreconciled Control Accounts

The total of the balances of 02 items of accounts was Rs.10,716,307 as per financial statements and the total of the balances according to the subsidiary registers/ records was Rs.12,071,379 thus, indicating a difference of Rs.1,355,072.

1.3.4 Accounts Receivable and Payable

- (a.) The value of balances receivable as at 31 December 2013 amounted to Rs.9,180,476 and the total of balances over one year amounted to Rs.7,359,259.

- (b.) The value of accounts payable for over one year was Rs.20,096,358 as at 31 December 2013.

1.3.5 Lack of Evidence for Audit

Evidence had not been made available to audit in respect of 05 items of accounts amounting to Rs.11,640,334 included in the financial statements.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.10,425,305 as compared with the excess of revenue over recurrent expenditure amounting to Rs.15,323,330 for the preceding year, thus indicating a deterioration of Rs.4,898,025 in the financial result for the year under review.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

<u>Source of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative arrears as at 31 December</u>
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	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	7,917	6,672	1,245
(ii) Lease Rent	7,555	5,329	2,226
(iii) Licence Fees	2,026	1,334	692
(iv) Other Revenue	13,387	25,903	12,516

2.2.2 Court Fines and Stamp Fees

Court fines and stamp fees respectively amounting to Rs.1,026,463 and Rs.9,659,114 had been receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Management Inefficiencies

- (a.) Surcharges amounting to Rs.105,215 had to be paid due to non-payment of contributions amounting to Rs.210,430 to the Employees Trust Fund for the period January 2004 to January 2011 in respect of the employees of the Sabha.
- (b.) A penalty of Rs.249,165 had to be paid due to non-remittance of Value Added Tax amounting to Rs.395,768 collected by the Sabha relating to 03 quarters for the period 2006 to 2008.

- (c.) The Sabha had to face a legal case due to non-remittance of Value Added tax to the Commissioner General of Inland Revenue on due date and lawyers' fees amounting to Rs.29,500 and travelling expenses amounting to Rs.7,056 had been spent on the above.
- (d.) Action had not been taken to settle the liabilities amounting to Rs.2,217,939 brought forward since prior to year 2007.

3.1 Management Inefficiencies

The total of the employees loan advances due as at 31 December 2013 amounted to Rs.7,809,427 and of this, the total of the balances in arrears for over one year amounted to Rs.168,299.

4. Accountability and Good Governance

4.1 Internal Audit

Although it is a duty of the Chairman to carry out an adequate internal audit in respect of finance and stores in terms of 5(7) of the Financial and Administrative Rules-1988, action had not been accordingly.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Assets management