

Dickwella Pradeshiya Sabha
Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 08 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 10 July 2015.

1.2 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 and cash flows of the Dickwella Pradeshiya Sabha at 31 December 2014 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 matters are observed.

- (a) Five Items of Assets valued at Rs. 142,639 purchased by the Sabha during the year under review had not been accounted under Fixed Assts.
- (b) Although the value Library Books purchased by the Sabha during the year under review was Rs. 378,792, it had been capitalized as Rs. Rs. 283,267. Therefore amount understated in the accounts was Rs. 95,525.
- (c) While the value of Accumulated Fund Account as at the end of the year under review was Rs. 15,482,402 according to financial statements, value of that was Rs. 23,159,092 according to the main ledger. Therefore a sum of Rs.7,676,790 had been understated in the accounts.
- (d) Although the values of Fixed Assets and the Contribution from Revenue to Capital Outlay Account should be equal in the financial statements, values of

Fixed Assets and the Contribution from Revenue to Capital Outlay Account of the year under review had been Rs. 135,953,163 and Rs. 136,711,539 respectively, indicating a difference of Rs. 758,376.

- (e) Instead of correcting understatement of the value of Expense Creditors of the preceding year in the Schedule, by correcting it in the Schedule itself, a sum of Rs. 39,849,350 had been credited to the Accumulated Fund having debited the Expense Creditors Account through Journal Entry No. 40. Due to that, value of the Expense Creditors Account had been understated and Accumulated Fund had been overstated to the extent of that value.
- (f) Value of Deposits amounting to Rs. 8,500 in the National Savings Bank on behalf of 13 Officers who should furnish security had been omitted in the financial statements.
- (g) Court Fines amounting to Rs. 1,161,538 recovered during the year under review had been shown as a receipt of Stamp Fees. Due to this Receipt of Stamp Fees Revenue had been overstated while receipt of Court Fine Revenue had been understated.

1.3.2 Unreconciled Control Accounts

While the value of Stamps Deposits Account according to financial statements was Rs.101,133, according to schedules and information furnished, total value had been Rs.132,955 indicating a difference of Rs.31,822.

1.3.3 Accounts Receivable and Payable

- (a) Value of Accounts Receivable which had exceeded more than a period of one year as at 31 December 2014 was Rs. 3,907,625.
- (b) Value of Accounts Payable which had exceeded more than a period of one year as at 31 December 2014 was Rs. 138,311,971.

1.3.4 Lack of Evidence for Audit

Up dated Register of Fixed Assets, age analysis etc. relating to 06 items of accounts valued at Rs. 153,004,743 shown in the financial statements had not been submitted to audit.

1.3.5 Non-compliance with Laws, Rules, and Regulations

Instances of non-compliance with Laws, Rules, Regulations etc, observed in audit are shown below.

<u>Reference to Laws, Rules, and Regulations</u>	<u>Non-compliance</u>
(a.) Pradeshiya Sabha (Financial and Administrative) Rules of 1988	
(i.) Rule 193	Actual expenditure under Items of Expenditure had not been compared with the Budget and the Supplementary provisions and a statement showing reasons for surpluses and deficits had not been furnished.
(ii.) Rules 217 and 218	Although Land and Buildings belong to the Sabha should be surveyed annually, such action had not been taken for the year under review.

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 2014 had been Rs.2,248,182 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.627,340 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review 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.) Rates and Taxes	2,545	1,802	1,566
(ii.) Rent	5,463	4,136	1473
(iii.) Other Income	37,666	42,550	125,014

2.2.2 Rates

While Rates billed for the year under review was Rs.1,411,658, out of that only a sum of Rs.738,450 had been recovered. Accordingly, percentage of recovery was 52 per cent. Similarly, Rates in arrears as at beginning of the year under review was Rs.1,358,801, a sum of Rs.409,162 had been recovered. Accordingly, percentage of recovery was 30per cent.

2.2.3 Lease Rent

While Lease Rent in arrears as at beginning of the year under review was Rs.818,167, the amount billed for the year was Rs. 1,889,630. As the total receipts during the year under review was Rs.1,594,289, progress of recovery relevant to the year under review and the preceding year had been 59 per cent.

2.2.7 Court Fines and Stamp Fees

The amounts outstanding to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
i. Court Fines	379,973
ii. Stamp Fees	8,594,974

3. Operating Review

3.1 Management Inefficiencies

Matters revealed as per Board of Survey Report dated 31 January 2015 are shown below.

- (a) Although 91 categories of drugs in two Ayurvedic Dispensaries had been shown as Stock in Hand, value of those had not been shown in the Board of Survey Report and therefore it could not be reconciled with financial statements.
- (b) While there was a shortage of 84 goods of 28 categories and a surplus of 48 goods of 14 categories in the Head Office Inventory, action had not been taken to recover the value of shortages from the persons responsible for the shortages.
- (c) While there was a shortage of 134 books in the three Libraries belong to the Sabha, action had not been taken to recover the value of shortages from the persons responsible for the shortages as well.

3.2 Human Resources Management

Information relating to the approved and actual Cadre of the Sabha as at 31 December 2014 is shown below.

Category of Employees	Approved	Actual	Vacant	Excess
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Executive	02	02	-	-
Secondary	29	26	03	-
Preliminary	51	55	-	04
Others(Casual/Temporary/Contract basis)	-	08	-	08
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	82	91	03	12
	=====	=====	=====	=====

While a sum of Rs. 20,454,406 had been reimbursed from the Commissioner of Local Government as Salaries and Allowances and Members Allowance during the year under review, a sum Rs. 21,547,675 had been spent as Salaries and Allowances and Members Allowance resulting in a financial burden of Rs. 1,093,269 to the Sabha Fund.

4. Accountability and Good Governance

4.1 Audit and Management Committees

Audit and Management Committees had not been established by the Sabha.

4.2 Budgetary Control

The Budget had not been made use of as an effective tool of financial management as material variations were observed between budgeted revenue and expenditure and the actual revenue and expenditure.

5. Systems and Controls

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

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