

Nagoda Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 29 April 2015 while Financial Statements relating to the preceding year had been submitted on 23 June 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 11 August 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Nagoda Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flow for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a) The expenditure incurred amounting to Rs. 431,520 during the year under review for purchase of computers and spare parts had been shown under Plants, Machinery and Equipment without being accounted under Computers and Accessories.
- (b) Provision had not been made in the financial statements for Pension Contributions Payable amounting to Rs. 2,309,604 to the Director General of Pension, on behalf of the Retired Local Government Employees as at 31 December of the year under review.

- (c) Value of Library Books purchased during the preceding year had been overstated in a sum of Rs. 46,149 in the accounts. Due to that, the balance of Library Books had been overstated by Rs. 46,149.
- (d) Value of Tipper Vehicle bearing No. WPLL-7103 and Tractor bearing No. WPRD – 9457 received as donations during the year under review had not been assessed and capitalized.
- (e) A sum of Rs.129,985 shown under Capital Expenditure in the Votes Ledger had been shown as Capital Assets Repairs and Maintenance in the financial statements.
- (f) Court Fines had been overstated in a sum of Rs.44,015 in the financial statements due to overbilling Court Fines by Rs.44,015 for the month of December of the year under review.
- (g) The Stamp Fees Revenue of the preceding year had been under billed in a sum of Rs.1,524,200. Opening balance of the year under review in the financial statements had been understated in a sum of Rs.1,524,200 due to that.

1.3.2 Non-reconciled Control Accounts

- (a) A difference of Rs.6,725,498 was observed between the balances according to control accounts relevant to 08 items of accounts and the balances according to subsidiary registers.
- (b) A difference of Rs.196,804 was observed between the balances according to financial statements relevant to 03 items of accounts and the balances according to schedules.

1.3.3 Suspense Account

Action had not been taken during the year under review to identify and adjust the accounts with regard to the credit balance of Rs.18,314 in the Suspense Account.

1.3.4 Lack of Evidence for Audit

Evidences such as Title Deeds, up dated Register of Fixed Assets, up dated Register of Debtors, Schedules and Age Analysis connected with transactions totalling Rs.90,067,544 shown in the financial statements were not furnished to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2014 amounted to Rs. 676,866 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 3,630,007.

2.2 Revenue Administration

2.2.1 Acreage Tax

While the Acreage Tax in arrears as at 31 December 2014 was Rs. 242,859, action in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 Of 1987 had not been taken to recover that balance in arrears.

2.2.2 Lease Rent

Action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 Of 1987 had not been taken to recover Lease Rent amounting to Rs. 292,208 due to be recovered to Sabha during the year under review and past years.

2.2.3 Stalls Rent

- (i.) Although all lease agreements should be up dated once in every 03 years as stated in paragraph 05 of the Circular No. SP/CLG/2010/01 dated 27 December 2010, action had not been taken to renew 03 stalls in the ground floor and 04 stalls in the upper floor of the Two Storied Trade Complex Building at Mapalagama. The agreements of 04 stalls in Thalgaswala Public Market leased during the year 1985 and a stall leased during the year 2007 had not been up dated even as at 30 March 2015, date of audit.

- (ii.) Although the monthly rent should be paid on or before 10th day of each month in terms of condition 03 of the agreement, action had not been taken even by 31 March 2015 to recover arrears money amounting to Rs.134,900 due from Mapalagama , Two Storied Trade Complex, while 09 months Lease Rent amounting to Rs. 40,500 was in arrears from 03 stalls in Thalgaswala Public Market. In addition to that, a sum of Rs. 44,850 was in arrears from 04 old stalls at Mapalagama Junction, as at 31 December 2014.

2.2.4 Court Fines and Stamp fees

Courts Fines amounting to Rs. 494,931 and Stamp Fees amounting to Rs. 331,542 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

3. Operational Review

3.1 Management Inefficiencies

(a) Presentation of Declarations of Assets and Liabilities

Declarations of Assets and Liabilities had not been furnished during the year 2014 by the Chairman, Vice Chairman and 05 Members as required in terms of the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 of 1988.

(b) Incurring Expenditure without obtaining funds provided

While provision amounting to Rs. 300,000 had been received under Provincial Criteria Based Development Grants of the Southern Province Development Plan – 2013, for the purchase of a Dumping Machine of Rotary Type for waste management, a Dumping Machine of Rotary Type had been purchased on 27 June 2014 for a sum of Rs. 280,000 having spent Sabha Funds. However, that sum of Rs. 280,000 had not been reimbursed to the Sabha even as at 30 March 2015, date of audit.

3.2 Expenditure for Functions

The total expenditure to be incurred for functions relating to a matter connected with common interest should not exceed one thousand Rupees per annum and in the event of exceeding that prior written sanction of the Minister in Charge of the subject should be obtained in terms of Section 132(a) of the Pradeshiya Sabha Act No.15 Of 1987. However, a sum of Rs.70,438 had been spent during the year 2014 by the Sabha without obtaining sanction of the Minister in Charge of the Subject .

3.3 Idle Assets

It had been informed to prepare a scheme for disposal of old vehicles and machinery getting destroyed without being used in Government Institutions by 05 September 2013, vide Circular No. PCMD/PR/2013 dated 05 June 2013 issued by the Secretary to the President with regard old vehicles and machinery getting destroyed without being used. However, a Backhoe Loader Machine, a Trailer and a Hand Tractor had been parked idling in the Sabha Sub-office ground without action being taken accordingly, even as at 26 March 2015, date of audit.

3.4 Un-economic Transactions

The Chairman had obtained 8,238.25 liters of fuel for cash during the year 2014 and got the reimbursements from the Sabha Fund by submitting bills for Rs.1,024,529, without action being taken to obtain fuel through Fuel Orders after identifying the fuel requirements for Sabha vehicles.

Running Charts and Monthly Performance Summaries of the vehicles belong to the Sabha had not been submitted to the Auditor General.

3.5 Project Delays

A sum of Rs. 105,000 received for implementation of 03 Projects in the area of authority of the Sabha during the year 2013 under Southern Province Development Plan had been kept in the Works Account without being used for the Projects, even as at 29 March 2015, date of audit.

4. Accountability and Good Governance

Budgetary Control

It was observed that there were variations of revenue between the budget estimates and the actual revenue and there were savings in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

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

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