

**Neluwa Pradeshiya Sabha**  
**Galle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 20 April 2015 while Financial Statements relating to the preceding year had been submitted on 07 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 29 September 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 Neluwa Pradeshiya Sabha as at 31 December 2014, its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Policies**

Accounting Policies followed by the Sabha had not been disclosed with the accounts.

**1.3.2 Accounting Deficiencies**

Following observations are made.

- (a.) A Revenue balance of Rs.104,338 had been brought forward during a period of 06 years and had been shown as liabilities in the financial statements without action being taken to settle .
- (b.) Although the value of agreements of 14 Works under the Program "From Door to Door From Village to Village "relevant to the year under review was Rs.12,160,578, it had been shown as Rs.10,248,412 in the financial statements. Due to that, capital expenditure of the year under review had been understated in a sum of Rs.1,912,166.

- (c.) Plant and Machinery valued at Rs.45,270, furniture and Equipment valued at Rs.44,300 purchased during the year under review and Value of Watchers Booths constructed in the Children's Park having spent Rs. 84,700 had not been capitalized. Due to that, value of Fixed Assets and the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs. 174,270 in the financial statements.
- (d.) A sum of Rs. 3,106,181 received during the year under review and spent for 06 Projects relevant to the preceding year had been shown as Capital Grants and Capital Expenditure of the year under review. Due to that, Capital Grants and Capital Expenditure had been overstated to that extent.
- (e.) Although Library Books valued at Rs. 81,000 had been received during the year under review, books valued at Rs. 52,975 only had been capitalized. Due to that, balance of the Library Account and the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs. 28,025.
- (f.) Although the Capital Expenditure (309) during the year under review according to the main ledger was Rs. 29,282,777, it had been shown as Rs. 29,781,643 in the financial statements. Due to that, Capital Expenditure for the year under review had been over stated in a s sum of Rs. 498,866.
- (g.) Although the Other Revenue (1.6) during the year under review according to the main ledger was Rs. 1,453,416, it had been shown as Rs. 1,605,868 in the financial statements. Due to that, Other Revenue for the year under review had been over stated in a s sum of Rs. 152,452.

### **1.3.3 Non-reconciled Control Accounts**

- (a) There was a difference of Rs. 342,065 between the balances according to control accounts and the balance according to subsidiary registers relevant to 04 items of accounts.

- (b) It was not possible to reconcile the balances amounting to Rs. 2,268,263 relevant to 08 items of accounts shown in the Control Accounts with the balances in the subsidiary registers, as the subsidiary registers had not been balanced.

#### **1.3.4 Suspense Accounts**

Action had not been taken to identify and settle the credit balance of Rs. 72,839 in the Suspense Account as at 31 December of the year under review.

#### **1.3.5 Lack of Evidence for Audit**

Evidence such as ownership deeds, board of survey reports, schedules, age analysis and confirmation certificates of bank balances connected with transactions totalling Rs.75,904,814 were not submitted to audit.

### **2. Financial and Operating 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 amounted to Rs. 3,616,104 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 613,519.

#### **2.2 Revenue Administration**

##### **2.2.1 Acreage Tax**

Action had not been taken to recover the Acreage Tax for the year under review and the past years amounting to Rs.7,612 in terms of Section 158(1) (a) of the Pradeshiya Sabha Act No.15 of 1987.

##### **2.2.2 Lease Rent**

Action had not been taken during the year under review to recover the Lease Rent for the year under review and the past years amounting to Rs.257,925 in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987.

### **2.2.3 License Fees**

Action had not been taken during the year under review to recover the License Fees for the year under review and the past years amounting to Rs.35,700 in terms of Section 152(4) of the Pradeshiya Sabha Act No. 15 of 1987.

### **2.2.4 Court Fines and Stamp fees**

Court Fines amounting to Rs. 129,750 and Stamp Fees amounting to Rs.1,428,458 were outstanding to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

## **3. Operational Review**

### **3.1 Unauthorized Transactions**

Although it had been stated in terms of Section 182 of the Pradeshiya Sabha Act No. 15 of 1987 that Pradeshiya Sabha may by resolution, waive the whole or any part of any sum of money due to the Pradeshiya Sabha from any person by a resolution relating to the waiver of an amount exceeding fifty rupees., shall be subject to the approval of the Minister, Lease Rent amounting to Rs. 8,103,028 due from 03 stalls in upper floor of the Neluwa Market Complex had been written off without a Sabha sanction and approval of the Minister.

### **3.2 Management Inefficiencies**

Declaration of Assets and Liabilities as required in the Declaration of Assets and Liabilities Act No.01 of 1975 as amended by the Act No. 74 of 1988 had not been provided by 03 Members of the Pradeshiya Sabha for the years 2013 and 2014 up to 13August 2015, date of audit.

### **3.3 Operational Inefficiencies**

A sum of Rs.28,755 due from 10 employees/officers who were in service of the Sabha and left on transfers/retired/vacated service had been in arrears for more than a period of 02 years.

### **3.4 Vehicles Administration**

Following matters are observed.

- (a) While Log Books had not been used for vehicles in terms of Financial Regulation 1645(a) of the Republic of Sri Lanka, originals of the running charts and monthly performance summaries had not been submitted to the Auditor General.
- (b) Although a sum of Rs. 977,055 had been paid for fuel through fuel orders during the year 2014, it was not possible to confirm in audit whether those fuel were used for the vehicles and that the vehicles were engaged in running.
- (c) Although bills should be issued by the filling station for the fuel purchased, fuel expenses had been settled in spite of the fact that bills had not been issued for the fuel orders made to the filling station.

### **3.5 Idle Assets**

A Hand Tractor valued at Rs. 250,000 had been provided to the Sabha by the Ministry of Local Government and Provincial Councils as a donation on 11 January 2008. It was observed at the audit inspection carried out on 01 August 2015 that, this vehicle had been parked in the Sabha ground without being used for running and that tyres had become unserviceable due to non-running.

### **3.6 Improper Transactions**

While a sum of Rs. 159,650 had been paid to a watcher and an office laborer for repairing and fixing street lamps in the area of authority during the year 2014, a sum of Rs.452,985 as well had been paid as their salaries. Accordingly allowances had been obtained at the same time for two services by the watcher and the office laborer of the Sabha.

## **4. Accountability and Good Governance**

### **Budgetary Control**

It was observed that there were material variations of revenue and expenditure between the budget estimates and the actual indicating 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.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management