

Alawwa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1. Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 27 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 of the Alawwa Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended in accordance with Generally accepted Accounting Principles.

1.3. Comments on Financial Statement

1.3.1. Accounting Deficiencies

Although a sum of Rs. 5,702,994 had been received as Stamp Fees for the 06 months from January to June of the year under review, only a sum of Rs. 1,543,964 had been taken to the Revenue and Expenditure Account. Accordingly, a sum of Rs. 4,159,030 had been understated in the accounts. Similarly, Stamp Fees for the ensuing 06 months for 2014 had not been accounted on accrual basis.

1.3.2. Unreconciled Control Accounts

Non-reconciliations amounting Rs. 470,875 relating to two items of accounts between the accounts for the year under review and the relevant subsidiary registers were observed.

1.3.3. Accounts Receivable and Payable

- (a) Value of Accounts Receivable as at 31 December 2014 was Rs. 25,999,408. Out of that, a sum of Rs. 1,383,883 as 19 per cent approximately was balances being brought forward over a period of more than 3 years.
- (b) Value of Accounts Payable as at 31 December 2014 was Rs. 26,281,242. Out of that, a sum of Rs. 1,221,324 as 5 per cent approximately was Deposits being brought forward over a period of more than 3 years.

2. Financial Review

2.1. Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabah for the year ended 31 December 2014 had been Rs. 80,822 as against the excess of revenue over recurrent expenditure amounted to Rs. 4,473,513 in the preceding year indicating a decline of Rs. 4,554,335 in the financial result. When Capital Grants of Rs.16,446,372 and Capital Expenditure of Rs. 18,730,532 are adjusted to this financial result, financial result relevant to the year under review had become a deficit of Rs. 2,364,982.

2.2. Analytical Financial Review

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.47,609,538 relevant to the year under review of the Sabha, a sum of Rs. 35,303,820 as 74 per cent approximately was consisting revenue not falling under a nature generated in the Sabha such as Court Fines, Stamp Fees and Salary Reimbursements.
- (b) The entire Capital Revenue of Rs. 16,446,372 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
- (c) Out of the total Recurrent Expenditure of Rs. 47,690,360 relevant to the year under review, a sum of Rs. 35,435,674 as 74 per cent approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 27,977,330 as 89 per cent approximately, had been provided by the Commissioner of Local Government as salary reimbursements and that value had been accounted under Other Revenue.

- (d) Out of the Capital Expenditure of Rs. 18,730,532, a sum of Rs.6, 882,510 as 37 per cent only had been spent out of the Sabha Fund while balance amount of Rs.11,848,022 as 63 per cent approximately were development works performed out of the provisions from other sources such as Gama Neguma and Maga Neguma.

2.3. Revenue Administration

2.3.1. Court Fines and Stamp Charges

Court Fines amounting to Rs. 2,280,587 and Stamp Fees amounting to Rs. 1,383,883 were receivable from the Chief Secretary to the Provincial Council as at 31 December of the year under review.

3. Operating Review

3.1. Management Inefficiencies

When separating the Narmmala Pradeshiya Sabha and Alawwa Pradeshiya having apportioned the Narmmala Pradeshiya on 01 April 2011, a non-reconciliation of Rs.1,621,055 existed between the true balances of the Alawwa Pradeshiya Sabha and balances in the apportioned Balance Sheet under 03 current accounts.

3.2. Idle and Under-utilized Assets

Five Idle Assets Items valued at Rs. 1,589,178 were shown under Fixed assets for the year under review.

4. Systems and Control

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

- a) Accounting
- b) Budgetary Control
- c) Revenue Administration