

Chillaw Pradeshiya Sabha

Puttlam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 02 May 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of Auditor General for the year under review was sent to the Chairman on 10 December 2014.

1.2 Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Chillaw 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 Deficiencies

The following observations are made.

- (a.) Lease rent in arrears amounting to Rs.181,347 due from the previous lessee of the Munneshwaram Rest, the value of the common land donated to the Sabha amounting to Rs.1,020,000 and the sum of Rs.7,946,185 payable to the Local Government Service Pension Fund had been omitted from the financial statements.
- (b.) An over-provision of Rs.1,275,971 made for stamp fees during 2012 had been debited to the other revenue account during the year under review and therefore revenue had been understated by Rs.1,275,971.
- (c.) The 02 lorries bearing No.42-9088 and 43-3972 which had not been sold as at 31 December 2013 had been accounted as sold for Rs.1,232,000 and as such the debtors and capital revenue had been overstated by Rs.1,232,000.
- (d.) Value Added Tax amounting to Rs.119,056 relating to permissible payments during the year under review had not been taken to revenue and as such the revenue had been understated and the refundable deposits had been overstated by a similar amount.

- (e.) The expenditure on supplies and equipment had been overstated by Rs.31,680 and a provision of Rs.1,201,210 had been made for creditors for jobs on which no agreements had been entered into. Therefore, the creditors and the expenditure on repairs and maintenance of capital assets had been overstated by similar amounts.
- (f.) A provision of Rs.8,000,000 had been made for creditors in respect of the value of a cab for which had not been taken to purchase. Therefore, creditors and expenditure on equipment had been overstated in the financial statements by a similar amount.

1.3.2 Unreconciled Control Accounts

The value of the balances of 08 items of accounts included in the financial statements had been agreed with the relevant subsidiary registers and the unreconciled difference of those items amounted to Rs.11,479,240.

1.3.3 Accounts Receivable and Payable

It was observed that the recovery of long term loans amounting to Rs.1,730,581 included in the debtors balance is uncertain and it was also observed that creditors amounting to Rs.120,000 not settled for over 5 years had been included in the creditors balance and claims from creditors in uncertain.

1.3.4 Lack of Evidence for Audit

Value of 05 items of accounts amounting to Rs.296,813,966 shown in the financial statements could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

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.15,345,092 as compared with the excess of revenue over recurrent expenditure amounting to Rs.40,881,420 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and arrears of revenue relating to the year under review as presented by the Chairman 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	2,254	2,393	2,569
(ii)	Lease Rent	6,812	6,525	876
(iii)	Licence Fees	3,237	3,237	-
(iv)	Other Revenue	75,173	64,563	107,157

2.2.2 Rates and Taxes

Although the collection of rates and taxes was good to a certain extent during the year under review, action had not been taken to recover rates and taxes in arrears amounting to Rs.2,357,400 as at end of the year.

2.2.3 Court Fines and Stamp Fees

Money receivable as at 31 December 2013 from the Chief Secretary and other authorities are shown below.

	Rs.
(i.) Court Fines	8,310,387
(ii.) Stamp Fees	42,796,885

2.4 Management Inefficiencies

The following observations are made.

- (a.) Details of 25 Counterfoil Books had not been shown in the Register of Counterfoil Books and of this, 06 books had not been issued to sub offices or any officer who uses counterfoil books. These books were not physically existed and the management was not aware of this situation until pointed out by Audit.
- (b.) Surcharges amounting to Rs.22,392 had been paid during the year under review due to delay in payment of contributions to the Employees Provident Fund.

2.5 Budgetary Control

Provisions of Rs.1,350,000 made for 06 items of expenditure had not been utilized and out of the provision of Rs.1,685,000 made for 07 items of expenditure; a sum of Rs.1,463,970 had not been utilized. The savings was 87% of the total provisions.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Control over Debtors and Creditors