

**Hakmana Pradeshiya Sabha**

**Matara 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 August 2013 and the financial statements for the preceding year had been presented on 13 July 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 November 2013.

**1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Hakmana Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Hakmana Pradeshiya Sabha as at 31 December 2012 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**

- (a.) Revenue amounting to Rs.23,951,536 and expenditure totaling Rs.25,000,786 had been excluded from the total of the trial balance prepared for the year under review.
- (b.) The value of a Gully Bowser, a Tractor and Trailer and the Water Bowser received by the Sabha as donations during the year under review had not been assessed and brought to account and these vehicles had not been recorded in the Register of Fixed Assets.

(c.) Expenses amounting to Rs.61,353,852 relating to 03 items of expenditure in respect of the year under review had not been shown in the Register of Capital Expenditure.

### **1.3.2 Unreconciled Control Accounts**

Balances of accounts relating to 12 items of accounts amounted to Rs.22,901,604 as per financial statements, whilst the value as per control accounts was Rs.22,573,964 thus, indicating a difference of Rs.327,640

### **1.3.3 Accounts Receivable and Payable**

The value of the balances of accounts receivable for over 01 year was Rs.3,992,836 as at 31 December 2012 and the value of the balances of accounts payable was Rs.55,928,949.

### **1.3.4 Lack of Evidence for Audit**

Transactions totaling Rs.96,318,835 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

## **2. Financial and Operating 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 2012 amounted to Rs.1,049,250 as against the excess of recurrent expenditure over revenue amounting to Rs.626,428 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 the arrears of revenue relating to the year under review as presented by the Chairman is given 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	401	397	805
(ii.) Licence Fees	54	763	01

### **2.2.2 Court Fines and Stamp Fees**

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i.) Court Fines	104,438
(ii.) Stamp Fees	3,395,639

### **2.2.3 Water Charges**

There was an outstanding balance of Rs.1,073,071 from 835 water consumers as at 31 December 2012 and action had not been taken to initiate legal procedure to recover the said dues or to disconnect the supply.

### **2.2.4 Rates and Taxes**

There were 1460 household consumers, 118 commercial consumers and 38 Government properties totaling 1616 consumers within the authoritative area of the Sabha paying rates and taxes and according to the registers, the balance in arrears amounted to Rs.582,133 as at 31 December 2012.

### **2.3 Operating Inefficiencies**

The following observations are made.

- (a.) Eight Members including the Chairman and the Vice-chairman had not submitted the Statements of Assets and Liabilities during the year 2012.
- (b.) Staff salaries and Members' allowances amounting to Rs.8,844,000 had been reimbursed by the Commissioner of Local Government during the year under review whilst expenditure on salaries of the year amounted to Rs.14,730,687. Therefore, the Sabha Fund had to bear an additional expenditure of Rs.5,886,687.
- (c.) The total of the employees' loans and advances due as at 31 December 2012 amounted to Rs.3,976,108.

**2.4 Internal Audit**

An adequate internal audit had not been carried out within the institution and an Audit and Management Committee also had not been established.

**3. Systems and Controls**

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

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