

## **Kalpitiya 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 30 May 2014 and the financial statements for the preceding year had been presented on 01 July 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 Kalpitiya 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**

- (a.) Employees' security deposits amounting to Rs.37,146 had been omitted from the financial statements.
- (b.) Nation Building Tax amounting to Rs.53,221 had been shown in the financial statements as deposits for electricity.

###### **1.3.2 Unreconciled Control Accounts**

According to the financial statements the total of 06 items of accounts amounted to Rs.31,404,523 where as it was Rs.29,362,676 as per relevant schedules showing an unreconciled balance of Rs.2,041,847.

###### **1.3.3 Lack of Evidence for Audit**

Transactions totaling Rs.45,590,934 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.1,006,144 as compared with the excess of revenue over recurrent expenditure amounting to Rs.5,370,586 for the preceding year.

### **2.2 Financial Control**

-----

The following deficiencies in financial control were observed.

- (a.) The balances of accounts receivable as at 31 December 2013 amounted to Rs.20,462,282 and the value of balances over one year amounted to Rs.11,317,728.
- (b.) The balances of accounts payable as at 31 December 2013 amounted to Rs.29,176,412 and the value of balances over one year amounted to Rs.13,586,633. Deposits payable over 03 years amounted to Rs.7,443,792.
- (c.) Action had not been taken in terms of the provisions of Financial Regulation No.396(c) of the Republic of Sri Lanka in respect of cheques valued at Rs.14,215 not presented to the bank for payment even though 06 months had lapsed from the date of issue.
- (d.) Action had not been taken in terms of Financial Regulation No.571 of the Democratic Socialist Republic of Sri Lanka in respect of deposits amounting to Rs.8,638,373 kept with the Sabha for over 02 years.
- (e.) Taxes amounting to Rs.2,805,746 had been retained without remitting to the Commissioner General of Inland Revenue.
- (f.) The total of the employees' loan balances due as at 31 December 2013 amounted to Rs.311,896 and the balances outstanding for over 05 years from 59 employees retired and vacated the posts amounted to Rs.123,715.

### **2.3 Revenue Administration**

-----

#### **2.3.1 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.

	<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
	-----	-----	-----	-----
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,910	335	6,216
(ii)	Lease Rent	5,515	4,000	9,111
(iii)	Licence Fees	2,007	2,029	81
(iv)	Other Revenue	16,560	10,288	7,472

The following observations are made.

- (a.) Action had not been taken to recover all the rates and taxes, lease rent, licence fees, court fines and stamp fees amounting to Rs.20,462,282 receivable by the Pradeshiya Sabha in terms of Sections 129(2)(a), (b), (f) of the Pradeshiya Sabha Act No.15 of 1987.
- (b.) According to Section 134(2) of the Pradeshiya Sabha Act No.15 of 1987, two percentages of rates and taxes cannot be levied in the same area of Pradeshiya Sabhas. Nevertheless the Sabha had levied rates and taxes at 9% for houses and 12% for business locations in the same area.
- (c.) Action had not been taken to confiscate moveable property of the persons in the Sabha area that had defaulted payment of acre tax and rates in terms of Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987.

### **2.3.2 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	3,879,666
(ii.) Stamp Fees	3,592,533

## **3. Operating Review**

### **3.1 Idle and Underutilized Physical Resources**

Seven items of vehicles and other equipment had been lying idle for periods ranging 01 to 07 years.

### **3.2 Operating Inefficiencies**

-----

The following observations are made.

- (a.) The value of 32 advances remained unsettled as at 31 December 2013 amounted to Rs.303,524 and of this, 28 advances amounting to Rs.281,524 had remained unsettled for over 02 years.
  
- (b.) The Sabha had paid surcharges of Rs.11,962 out of the Sabha Fund due to delay in payment of contributions to the Employees Provident Fund and a further surcharge of Rs.46,508 levied had to be paid.

### **4. Systems and Controls**

-----

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

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