

Kahatagasdigiliya Pradeshiya Sabha

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 03 May 2013 and the financial statements for the preceding year had been presented on 05 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 July 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 Kahatagasdigiliya 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 Kahatagasdigiliya 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) Library books valued at Rs.433,465 and the value of another 20 items of equipment received as donations during the year under review had not been valued and brought to account. Machinery and equipment valued at Rs. 55,200 purchased during the year under review had been accounted as recurrent expenditure.

- (b) A loan amounting to Rs. 4,282,862 received from the Asian Development Bank had not been brought to account as a loan and the interest and loan installments totaling Rs. 773,532 paid during the year under review had been erroneously shown under capital expenditure.

1.3.2 Unreconciled Accounts

According to the financial statements, revenue from court fines receivable amounted to Rs.788,993 and the balance was Rs. 517,739 as per subsidiary registers / records.

1.3.3 Lack of Evidence for Audit

Five items of accounts totaling Rs. 19,946,919 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. 3,024,538 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 182,202 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 shown below.

| Item of Revenue | Estimated | Actual | Cumulative Arrears as at 31 December |
|----------------------|-----------|---------|---|
| ----- | ----- | ----- | ----- |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| (i.) Rates and Taxes | 609 | 796 | 425 |
| (ii.) Lease Rent | 349 | 3,492 | 207 |
| (iii.) Licence Fees | 956 | 844 | 43 |
| (iv.) Other Revenue | 628 | 5,435 | 1,021 |

2.2.2 Rates and Taxes

Action had not been taken to recover the balance amounting to Rs. 425,412 due as at 31 December 2012.

2.2.3 Court Fines and Stamp Fees

Stamp fees receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council amounted to Rs. 941,300 and the court fines receivable as at that date had not been ascertained and brought to account.

2.3 Idle and Underutilized Physical Resources

Equipment valued at Rs. 541,000 had been received by the Sabha during 2008 for the promotion of rice flour related bakery products and a sum of Rs. 297,719 had been spent for repairs to buildings for the installation of the equipment. But, no production activity had been commenced even as at end of the year under review and the relevant equipment had been lying idle.

2.4 Operating Inefficiencies

- (a) Permanent staff had been recruited for 15 posts during the year under review without obtaining approval of the Commissioner of Local Government in terms of Section 19 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and salaries and allowances amounting to Rs. 2,076,501 had been paid from the Sabha Fund.

- (b) A corporate plan including the plans for the future years and an action plan for carry out the activities had not been prepared and implemented.

2.5 Irregular Transactions

Although mammotys and plastic chairs at a total value of Rs. 105,860 had been purchased by utilizing the funds of the Sabha, the distribution of these items had not been explained to audit.

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management