

**Nattandiya Pradeshiya Sabha**

**Puttalam District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 22 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 07 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 Nattandiya 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 Nattandiya 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.) The value of the Weerahena Crematorium constructed at a cost of Rs.1,730,000; Dematapitiya Fair premises; 09 library buildings owned by the Sabha; Nattandiya Town Hall building; 02 water projects; Nattandiya Trade Complex; Marawila Super Market Complex Dematapitiya Trade Complex and Halpanwila stalls had not been assessed and brought to accounts.
- (b.) A sum of Rs.1,000,000 received for stamp fees in arrears for the year 2009 had been credited to excesses/shortages account without being accounted to the

revenue debtors account and therefore debtors and the accumulated fund had been overstated.

- (c.) Stamp fees in arrears amounting to Rs.11,552,637 relating to the year 2006 had not been accounted to the debtors account and the accumulated fund. Therefore, revenue debtors and accumulated fund had been understated.
- (d.) Although the balance after setting off the Input Tax from the Value Added Tax collected during the year had been remitted to the Commissioner General of Inland Revenue, the tax amounting to Rs.8,208,838 set-off had continued to be shown as payable to the Commissioner General of Inland Revenue without being appropriated among the relevant programs. Therefore, an erroneous liability had been arisen.
- (e.) Balance of the rates and taxes of the sub-offices amounting to Rs.9,476,772 calculated twice in preparing the accounts for the year 2005 had not been removed from the accounts on a proper approval. Therefore, an erroneous revenue debtors' balance had been arisen in the accounts.
- (f.) Physical existence of 14 carts valued at Rs.106,775 included in the fixed assets could not be assured in audit.
- (g.) The cash balance of Rs.21,076,019 shown in the balance sheet included 12 cheques valued at Rs.838,619 dishonoured during the period from 2001 to 2010.

### **1.3.2 Lack of Evidence for Audit**

- (a.) The Register of Fixed Assets relating to 04 items of fixed assets valued at Rs.276,365,498 had not been updated and the Board of Survey Reports relating to the above also had not been submitted to audit.
- (b.) Transactions totaling Rs.223,812,715 could not be satisfactorily vouched in audit due to the non-sub-mission of required information 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.56,557,906 as compared with the excess of revenue over recurrent expenditure amounting to Rs.39,335,265 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 in respect of the year under review as presented by the Chairman is shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	17,690	10,135	30,638
(ii.) Lease Rent	11,725	19,154	3,152
(iii.) Licence Fees	1,555	1,094	97
(iv.) Other Revenue	89,307	54,900	132,509

#### **2.2.2 Rates and Taxes**

Income from rates and taxes billed for the year under review amounted to Rs.16,152,705 and the total income collected was Rs.9,070,143. This consists of Rs.7,608,449 of the income billed for the year under review and Rs.1,461,694 out of the revenue in arrears. Out of the estimated income of the year under review only 51% had been collected.

#### **2.2.3 Other Revenue**

The estimated other revenue for the year under review was Rs.89,307,000 and the amount billed was Rs.107,431,029. Of this, a sum of Rs.54,900,344 had been collected and the percentage of the collection was 51%.

#### **2.2.4 Court Fines and Stamp Fees**

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

	Rs.
(i.) Court Fines	8,169,436
(ii.) Stamp Fees	118,208,924

#### **2.2.5 Lease Rent**

Arrears of lease rent due from 23 lessees from 2004 to 2011 amounted to Rs.1,081,223. Agreements had not been entered into with 14 of the above lessees, and therefore, recovery of Rs.952,411 due from them is doubtful.

#### **2.3 Surcharges**

A sum of Rs.1,805,437 had been recoverable as at 31 December 2012 in respect of surcharges levied by me in terms of the provisions of Pradeshiya Sabha Act No.15 of 1987 against the persons responsible.

#### **2.4 Irregular Transactions**

Advances of Rs.600,000 had been paid to 04 persons at Rs.150,000 each during the year 2002 for purchase of a land to build a cattle slaughter house. Nevertheless, action had not been taken to obtain the ownership of the land or to recover the advances paid.

#### **2.5 Operating Inefficiencies**

The following observations are made.

- (a.) A sum of Rs.2,000,000 had been provided in the annual budget under 02 programs for Health Services Solid Waste Management; but, the Sabha had failed to commence the Project.
- (b.) A sum of Rs.1,167,000 had been receivable to the Sabha as reimbursement of street lighting expenses from the Electrical Engineer, Wennapuwa of the Ceylon Electricity Board for the period from 2000 to 31 December 2004.

- (c.) Action had not been taken to get the refund of Rs.100,000 obtained by the Local Government Main Association during the year 1999 and computing of interest receivable had been stopped since the year 2007.

## **2.6 Budgetary Control**

- (a.) Plans had not been prepared to increase the tax revenue and licence fees that can be obtained from the assets of the Sabha. The above revenue expected as per the budget for the year 2012 had not been recovered and therefore, the Sabha had failed to achieve the targets of the budget.
- (b.) Although a sum of Rs.46,800,000 had been allocated for the capital expenditure of the year under review, much attention had not been paid for health services, water services and other utility services.
- (c.) An annual action plan had not been prepared and therefore, the Sabha had failed to prepare a specific time frame to achieve the objectives expected by the budget.

## **3. Systems and Controls**

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

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