

Poojapitiya Pradeshiya Sabha**Kandy District****1. Financial Statements****1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 28 March 2014 and the financial statements for the preceding year had been presented on 30 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 16 January 2015.

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 Poojapitiya Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations for the year then ended.

1.3. Comments on Financial Statements**1.3.1. Accounting Deficiencies**

The following deficiencies are observed.

- a) The value, of the printing machine and the fax machine of Cannon brand received as donations during the year under review, had not been identified and brought to account.
- b) Though the number of lands with tube-wells owned by the Sabha had been indicated as 384 in the registers, only 68 out of this had been shown in the accounts.

1.3.2. Un-reconciled Control Accounts

The total value of furniture according to the account had been Rs.3,456,349, and according to the relevant schedule this value had been Rs.5,466,171. Therefore a difference of Rs.2,009,822 was observed.

1.3.3. **Accounts Receivable and Payable**

a) **Accounts Receivable**

The value of total balances of accounts receivable as at 31 December 2013 amounted to Rs.83,238,349 and out of this, the total account balances exceeding 1 year, had been Rs.141,863.

b) **Accounts Payable**

The value of total balances of account payable as at 31 December 2013 amounted to Rs.64,409,507 and out of this, Rs.32,000,836 represents pension contributions payable. The total account balances over one year amounted to Rs.32,157,961.

1.3.4. **Lack of Evidence for Audit**

Transactions totalling to Rs.6,489,828 could not be examined satisfactorily during the audit, since required information relevant to 02 items of accounts were not submitted to the 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.8,061,347, as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,471,138 for the preceding year. Therefore the financial result had been improved by Rs.1,590,209.

2.2. **Working Capital Management**

The ratio between total current assets and current liabilities was 1.2:1, and the ratio in the preceding year was 1.3:1. Hence it was observed that the ratios were not in a superior level. Further, 74% of the total current assets amounting to Rs.34 million had been works and sundry debtors, whilst 93% of total current liabilities amounting to Rs.36 million had been works and sundry creditors.

2.3. Revenue Administration

2.3.1. Performance on Revenue Collection

Estimated Revenue, Actual Revenue and Revenue in Arrears

The information with respect to Estimated Revenue, Actual Revenue and Revenue in Arrears relevant to the year under review, submitted by the Chairman are indicated below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	2,322	1,930	1,661
(ii) Lease Rent	1,407	1,024	358
(iii) Licence Fees	2,421	1,936	---
(iv) Other Income	13,080	12,474	6,237

2.3.2. Rates and Taxes

The balance at the beginning of the year under review amounted to Rs.215,219, whilst the amount billed for the year was Rs.2,370,426. Since the percentage of collection during the year was 36%, the amount due as at 31 December 2013, had been increased to Rs.1,639,342.

2.3.3. Lease Rent

The lease rent income in arrears as at 31 December 2013 amounted to Rs.357,575 and proper actions had not been followed to recover the arrears.

3. Operating Review

3.1. Management Inefficiencies

22 lecture hall chairs had been purchased in the year 2012 for E-Nena-Piyasa Programme spending Rs.117,000. Though nearly one year had passed, these chairs had been kept in the stores without utilising for the intended purpose.

3.2. **Contract Administration**

Though a sum of Rs.233,765 had been spent to develop Batugoda Ranaviru Mawatha and the construction of the retaining wall along the access road of Pathiraja Pabbatharamaya, action had not been taken to get these roads vested with the Sabha.

3.3. **Irregular Transactions**

Though disposing of waste collected within the authority of the Sabha, is a part of the daily duties entrusted to the drivers, two drivers who had been deployed for this service had been paid combine allowances amounting to Rs.49,616, till October in the year under review.

4. **Accountability and Good Governance**

4.1. **Procurement Plan**

Though capital expenditure of Rs.82,725,226 had been incurred by the Sabha, a procurement plan had not been prepared for the year under review.

4.2. **Audit and Management Committees**

Since Audit and Management Committees had not been established by the Sabha during the year under review, the Audit and Management Committee meetings had not been held.

4.3. **Internal Audit**

Adequate internal audit had not been carried out by the Sabha during the year under review.

4.4. **Budgetary Control**

When the estimated revenue and expenditure in the budget prepared for the year under review was compared with the actual revenue and expenditure, variances in the range of, 20% to 67% in respect of 06 items of revenue, and variances in the range of 17% to 100% in respect of 05 items of expenditure were observed. Therefore it was observed that the budget had not been made use of as an effective tool of control.

5. **Systems and Controls**

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

- a) Budgetary Control
- b) Revenue Administration
- c) Debtors and Creditors Control