

**Aanamaduwa Pradeshiya Sabha**

**Puttlam District**

**1. Financial Statements**

**1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 31 March 2015 and the financial statements for the preceding year had been presented on 28 March 2014. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 13 August 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 Anamaduwa Pradeshiya Sabha as at 31 December 2014 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 accounting deficiencies are observed.

- (a) The value of stocks totalling to Rs.114,297, had been omitted in the financial statements, and deposits amounting to Rs.14,750 in the year under review, had been understated in accounts.
  
- (b) The stamp fees amounting to Rs.1,705,163 and court fines amounting to Rs.224,331 received in the year under review, in respect of years 2011 and 2013, had been brought to account as revenue of the year. Therefore the revenue of the year had been overstated by Rs.1,929,494

(c) Whilst the provisions had been already made for the Commuted Pension amounting to Rs.68,020 in respect of the year 2013, provisions had also been made under creditors. Therefore the liabilities had been overstated by a similar amount.

(d) A sum of Rs.49,500 relevant to the payment of salaries for the year 2013, had been carried forward erroneously under creditors, and this had not been corrected even during the year under review, whilst Rs.45,000 payable in respect of the year, had been brought to account twice, overstating the creditors by a similar amount.

### **1.3.2. Un-reconciled Control Accounts**

a) Though the value of other income in arrears according to the financial statements presented for the year under review was Rs.1,023,280, according to the schedules it had been Rs.742,058. Therefore a difference of Rs.281,222 was observed.

b) The other income in arrears as at the end of the year 2014 was Rs.1,023,280, whilst according to the schedules this balance had been Rs.742,058. Therefore a difference of Rs.281,222 was observed.

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

The balance of accounts receivable and payable at the end of the year under review amounted to Rs.30,605,563 and Rs.20,632,231 respectively. These include revenue in arrears amounting to Rs.4,587,739, and balances payable amounting to Rs.1,083,892, exceeding 03 years and 05 years respectively.

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

Assets totalling to Rs.1,628,462 could not be verified satisfactorily, due to non-submission of sufficient evidence to the audit.

### **1.3.5. Non-compliance with Laws, Rules and Regulations**

The following accounting deficiencies are observed .

a) Action had not been taken as stipulated in Sections 129 (2) (a) and (d) of the Pradeshiya Sabha Act No. 15 of 1987, to properly collect the income such as court fines, stamp fees, and lease rent due for the Sabha. Action had not been taken as stipulated in Section 158

of the Act to confiscate the movable property of defaulters of rates and taxes, and recover the arrears.

- b) Proper action had not been taken; to maintain sufficient internal audit in respect of financial and stores matters; and to prepare a register of defaulters and submit it to the secretary; as stipulated in the Rules 5 (7) and 65 of the Pradeshiya Sabha (Finance and Administration) Rules of 1988 respectively.

## 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 2014 amounted to Rs.11,583,021, as compared with the excess of revenue over recurrent expenditure amounting Rs.4,288,151 for the preceding year. In the year under review and the preceding year; the capital aid received had been Rs.10,168,738 and Rs.8,851,306; and the capital expenditure had been Rs.15,380,479 and Rs.17,591,515; respectively. When these amounts are considered, a surplus of Rs.6,371,280 had existed in the year under review, whilst a deficit of Rs.4,452,059 had existed in the preceding year. Accordingly, in comparison to the preceding year, there had been an improvement of Rs.10,823,339 in the financial result during the year under review,.

### 2.2. **Revenue Administration**

#### 2.2.1. **Performance on Revenue Collection**

The information submitted with respect to the performance on revenue collection relevant to the year under review, and the preceding year is indicated below.

	<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Variance as at</b>
		<b>Income</b>	<b>Income</b>	<b>31-Dec-2014</b>
		<b>Rs.000,</b>	<b>Rs.000,</b>	<b>Rs.000,</b>
(i)	Rates and Taxes	2,210	2,042	168
(ii)	Lease Rent, Stall Rent	12,053	9,109	2,944
(iii)	Licence Fee	1,138	708	430

When the rent and licence fees in arrears as at the end of the year under review, are compared with the relevant estimation, differences amounting to 24.43% and 37.79% were observed respectively.

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

The stamp fees receivable from three Additional District Registrar Offices in, Chillaw, Nikaweratiya, Puttlam had not been computed and brought to account, whilst the estimated amount of Rs.5,000,000 in the budget for the year under review, had been indicated in accounts as the revenue relevant to the year.

## **3. Operating Review**

### **3.1. Idle and Underutilized Physical Assets**

The Mini Kubota tractor which had not been valued and tractor valued at Rs.597,668, owned by the Sabha, had not been utilized for a long period.

### **3.2. Internal Audit**

Sufficient internal audit had not been carried out in the organization.

## **4. Systems and Controls**

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

- a) Accounting
- b) Budgetary Control
- c) Revenue Administration
- d) Assets Management
- e) Debtors and Creditors Control