

**Naththandiya 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 24 March 2015 and the financial statements for the preceding year had been presented on 21 March 2014. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 27 July 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 Naththandiya 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) Rates and taxes amounting to Rs.1,732,404 paid in respect of the ensuing year, had been accounted as rates and taxes received with respect to the year under review. Therefore the current liabilities of the Sabha relevant to the year had been understated and rates and taxes relevant to the year had been overstated by a similar amount.

(b) A surcharge amounting Rs.91,060 had been imposed by the Employees Provident Fund for the delays in making the contributions. Since provisions had not been made for this surcharge, the surplus of the year had been overstated by a similar amount.

(c) 06 permanent buildings owned by the Sabha had not been valued and brought to account.

- (d) The current assets and current liabilities in the financial statements contain, debtors balances amounting to Rs.72,751,453 and creditors balances amounting to Rs.10,656,474, which had been carrying forward over a period of one year

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

The value of balances relevant to 07 item of account in the financial statements differed from the relevant schedules and the value of this un-reconciled difference amounted to Rs.19,308,784.

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

Following observations are made.

- a) The court fines with respect to the year 2002, receivable from the Chief Secretary of the Province as at 31 December 2014 amounted to Rs.279,583, and there is an uncertainty in recovering this amount.
- b) The lease rent in arrears due from 17 leaseholders since the year 2005 amounted to Rs.876,437 and action had not been taken to recover this arrears even during the year under review.
- c) The stamp fees receivable for the Sabha for the period from 1996 to 2006 amounted to Rs.11,534,507, and action had not been taken to obtain this amount to the Sabha.
- d) The reimbursement for street lamps, receivable / due from the Wennappuwa Electrical Engineer's Office of Ceylon Electricity Board, for the period from 2000 to September 2004 amounted to Rs.1,167,000, and this amount had not been recovered till 31 December 2014.
- e) Action had not been taken to recover Rs.100,000 obtained by the Local Authorities General Union from the Sabha in 1999, whilst the computation of interest receivable had been abandoned since the year 2007.

- f) The capital aid receivable from various government institutes amounted to Rs.13,314,380. This includes Rs.1,029,535 due for the period from 2002 to 2008, and action had not been taken to obtain this amount.
- g) The lease payment defaulted by the leaseholders in respect of the leasing out of buildings and stalls owned by the Sabha, amounted to Rs.392,903, and action had not been taken to recover this amount.
- h) Proper action had not been taken to recover employees' loans amounting to Rs.1,323,113.
- i) The value of expenditure and supply creditors carrying forward over a period of one year amounted to Rs.10,656,834.

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

The balances totalling to Rs.298,626,272 relevant to 04 items of accounts presented in financial statements, could not be examined satisfactorily during the audit, due to non-submission of sufficient evidence.

## **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.57,251,512, as compared with the excess of revenue over recurrent expenditure amounting Rs.61,598,179 for the preceding year. In the year under review and the preceding year; the capital aid had been Rs.42,730,279 and Rs.26,528,855; and the capital expenditure had been Rs.91,017,022 and Rs.86,083,268; respectively, and when these amounts are considered to the surplus had been Rs.8,964,769 and Rs.2,042,766, respectively. Therefore the financial result had been improved by Rs.6,922,003.

## **2.2. Revenue Administration**

### **2.2.1. Estimated Revenue, Actual Revenue and Revenue in Arrears**

According to the information on revenue in arrears relevant to the year under review, submitted by the Chairman, the accumulated arrears at the end of the year under review had been; Rs.24.4 million for rates and taxes; Rs.2.1 million for lease rent; and Rs.175.9 million for other income.

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

The rates and taxes amount billed for the year under review had been Rs.15,772,205, and out of this, a sum of Rs.9,817,688 representing approximately 62% had been collected. Similarly, the total rates and taxes income in arrears as at the end of the year under review had been Rs.24,431,535.

### **2.2.3. Stamp Fees**

- a) Out of the stamp fees collected by the Provincial Council from the Registrar General, the value of stamp fees receivable by the Sabha as at 31 December 2014 amounted to Rs.107,429,016.
- b) During the receipt of stamp fees, it was observed that the amount given to the Pradeshiya Sabha by the Revenue Department of Wayamba Provincial Council, had been less than the amount certified as receivables by the Office of the Land Registrar. Accordingly the Sabha had been deprived of over Rs.12 million during the period from 2009 to 2013.

### **2.2.4. Court Fines**

The value of court fines with respect to the year 2012, receivable from the Chief Secretary of the Province as at 31 December 2014 amounted to Rs.279,583.

### **2.2.5. Surcharges**

The surcharge receivable by the Sabha with respect to two certificates of surcharge imposed on former Chairman and Secretary of the Sabha, by the Auditor General amounted to Rs.1,805,437.

### **3. Operating Review**

#### **3.1. Management Inefficiencies**

(a) As per the register of business taxes for the preceding year and the year under review, it was observed that many business locations within the area under the authority of the Sabha, had been disregarded without collecting revenue.

(b) The surcharges imposed on Sabha for delays in paying the contributions to the Employees Provident Fund with respect to the employees, who have served in the Sabha, amounted to Rs.47,715 as at the end of the year under review. A surcharge of Rs.85,748 had been imposed for the year under review, for delays in paying the contributions to the Employees Trust Fund.

#### **3.2. Operating Inefficiencies**

Though an advance payment totalling to Rs.600,000 had been paid to 04 persons at the rate of Rs.150,000 per person in the year 2002, to purchase a land for the slaughter house, action had not been taken to obtain the ownership of the land or recover the paid amount.

### **4. Accountability and Good Governance**

#### **4.1. Budgetary Control**

Though a provision of Rs.4,950,000 had been made under the programme number 4 of the annual budget, the relevant projects had not been implemented.

### **5. 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
- e) Control Over Employees' Loan
- f) Contract Administration