

Anamaduwa Pradeshiya Sabha

Puttlam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of Auditor General for the year under review was sent to the Chairman of the Sabha on 10 December 2014.

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 2013 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 Policies

The following matters were observed in audit.

- (a.) Income from rates, rent, lease rent, acre tax, and transmission towers and pensions had not been brought to account on accrual basis.
- (b.) Accounting policies followed in the preparation of financial statements had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed in audit.

- (a.) The value of 05 assets including library books valued at Rs.12,949 received as donations had not been computed and brought to account.
- (b.) The balance stock of tube well equipment valued at Rs.90,407 as at end of the year had not been brought to account.
- (c.) An advance of Rs.217,081 paid to a private institution during the preceding year had not been accounted as advances and at the settlement of the said advance during the year under review, it had been credited to the relevant items of expenditure, instead of being

credited to the accumulated fund, Therefore, the expenditure for the year under review had been understated by a similar amount.

- (d.) The revenue billed for the year had not been properly adjusted and therefore revenue relating to 04 revenue heads had been understated by Rs.960,763 and the revenue for the year relating to 01 revenue head had been overstated by Rs.28,229.
- (e.) Provision had not been made in the financial statements for pension contributions amounting to Rs.81,624 payable for the year under review. Therefore, the expenditure for the year and the pensions payable account had been understated by a similar amount.
- (f.) Stamp tax amounting to Rs.30,520 payable to the Department of Inland Revenue for the fourth quarter of 2013 had not been properly accounted and as such, the revenue for the year had been overstated and the stamp tax account had been understated by a similar amount.
- (g.) Capital aid and the Capital aid debtors for the year had been overstated by Rs.898,445.
- (h.) Value Added Tax amounting to Rs.127,612 relating to the third quarter of 2013 had been accounted as Nation Building Tax and as such Value Added Tax payable account had been overstated and the Nation Building Tax payable account had been understated by a similar amount.
- (i.) Value Added Tax amounting to Rs.39,140 received had been entered as Nation Building Tax received and therefore, Value Added Tax payable account had been understated and the Nation Building Tax payable account had been overstated by a similar amount.
- (j.) Deposits amounting to Rs.1,070,951 which should be credited to the refundable deposits account had been credited to the accumulated fund and therefore, the balance of the refundable deposits had been understated and the accumulated fund had been overstated.
- (k.) Sundry creditors account and the expenditure for the year had been overstated by Rs.64,800 due to over computation of creditors.
- (l.) Acre Tax in arrears had been understated in the accounts by Rs.25,095 and as such revenue for the year and the Acre Tax in arrears had been understated by a similar amount.
- (m.) Adjustments had not been made in the accounts in respect of income from transmission towers amounting to Rs.92,302 relating to November and December 2013 and as such, revenue for the year and the revenue debtors had been understated by a similar amount.
- (n.) The closing balance of Nation Building Tax account amounting to Rs.20,293 collected from January to May 2013 had been adjusted to the accumulated fund. As a result, Nation

Building Tax payable had been understated by Rs.20,293 and the accumulated fund had been overstated by a similar amount.

1.3.3 Unreconciled Control Accounts

The total of 03 items of accounts amounted to Rs.34,595,074 and according to the general ledger the total of the relevant balances amounted to Rs31,899,739 disclosing an unreconciled balance of Rs.2,695,335.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.80,147,722 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 2013 amounted to Rs.4,288,151 as against the excess of recurrent expenditure over revenue amounting to Rs.4,818,402 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on estimated revenue, actual revenue and 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
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		Rs.'000	Rs.' 000	Rs. '000
(i.)	Rates and Taxes	1,919	1,048	871
(ii.)	Lease Rent and Stall Rent	6,701	6,606	95
(iii.)	Licence Fees	950	964	(14)

2.2.2 Rates and Taxes

Recovery of rates and taxes in arrears as well as the recovery of income billed during the year was not in a satisfactory level and the total of the arrears for previous years and the arrears for the year amounted to Rs.3,082,479.

2.2.3 Property Tax

No money had been recovered up to May 2014, out of the sum of Rs.100,600 billed for 5 stalls of the New Bus Stand.

2.3 Court Fines and Stamp Fees

Court fines and Stamp Fees totaling Rs.4,361,160 had been receivable as at 31 December 2013 from the Chief Secretary and other authorities.

2.4 Idle and Underutilized Physical Resources

It was observed at sample audit checks that a four wheel tractor valued at Rs.597,668 owned by the Sabha and another tractor and 03 equipment of which the value not being computed had been lying idle for over periods ranging 01 to 05 years.

3. Operating Review

3.1 Operating Inefficiencies

The following observations are made.

- (a.) Employees' loan balances recoverable as at 30 September 2013 amounted to Rs.5,309,180 and of this, loan balances amounting to Rs.39,867 due from 20 employees had been outstanding for over a number of years.
- (b.) Certain library books had been misplaced from Anamaduwa, Pallama and Mahakumbukadawala Public Libraries resulting a loss of Rs.32,567 to the Sabha. Action had not been taken to recover the loss from the persons responsible.

3.2 Performance

The Sabha had failed to implement 08 Regional Development Works valued at Rs.3,670,000 proposed to be carry out from the Sabha funds during 2013 and the entire provision made for the above had not been utilized.

4. Systems and Controls

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

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