

## **Kalutara Pradeshiya Sabha**

### **Kalutara District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 14 March 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 14 November 2014.

##### **1.2 Opinion**

Due to the importance matters appearing in paragraph 1.3 of this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Kalutara Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

Following observations are made.

- (a.) Creditors Balance of 723,299 underprovided during the preceding year had been adjusted as Rs. 586,787 during the year under review and due to that, balance of the Accumulate Fund Account had been understated in a sum of Rs. 136,512.
- (b.) Rates, Trade Licenses, Industrial Taxes and Business Taxes amounting to Rs. 6,435, Rs. 26,600, Rs. 19,780 and Rs. 27,040 respectively written off according to Sabah decisions had been adjusted only in the Arrears of Revenue Accounts.
- (c.) Creditors balance of Rs. 160,912 debited only to the Item of Expenditure as pointed out in Paragraph 2.2.1 (b) of my report for the preceding year should be credited to the Creditors Account having debited Suspense Account for correction of that error, it had been debited to the Accumulated Fund Account and due to that, the balance of the Accumulated Fund Account had been understated in that value.
- (d.) Although the Receivable Balance for the Project at the end of the preceding year was Rs.20,807,718, a sum of Rs. 21,692,325 for that and a sum of Rs. 7,028,289 for the Projects relevant to the year under review had been received. Accordingly, the under provision of the preceding year was. 884,607, a sum of Rs. 3,654,321 had been adjusted

to the Works Debtors Account and the Accumulated Fund Account in lieu of that amount. Although the balance of the Works Debtors Account should be Rs. 28,986,704 due to that reason, it had been shown as Rs. 31,756,418 in the accounts.

- (e.) Although the Balance payable for the Works Creditors at the end of the preceding year was Rs. 23,027,435, a sum of Rs. 21,723,050 out of that and a sum of Rs. 7,028,289 for the Projects relevant to the year under review had been paid. As it had been informed that no further amount was liable to be paid for the Works Creditors relevant to prior years, the sum of Rs. 1,304,385 overprovided during the previous year should have been written off from the accounts. However, a further sum of Rs. 1,465,361 had been credited to Creditor Account and therefore the balance of the Work Creditors Account and the Accumulated Fund Account had been overstated in a sum of Rs. 2,769,746.
- (f.) Debit and Credit Balances in the Works Debtors and Creditors Accounts amounting to Rs. 31,756,418 at the end of year under review had been set off against each other.
- (g.) Action had not been taken to delete the sum of Rs. 11,493,857 erroneously accounted in the Other Revenue in Arrears Account since the year 2009 from the Works Debtors Account. Salary Reimbursements Receivable for the years 2010 to 2012 totalling Rs. 3,598,755 and Members Allowances Receivable for the years 2009 to 2012 totalling Rs. 437,350 too had been over stated in the accounts. Due to that, the balance in the Revenue in Arrears Account had been overstated in a sum of Rs.15,529,963.
- (h.) Although the Salary Reimbursements Receivable and the Members Allowances Receivable as at the end of the year under review had been Rs. 1,612,204 and Rs. 349,500 respectively, sums of Rs.2,081,066 and Rs. 560,350 had been provided as the amounts receivable. . Due to that, Revenue for the year and the balance of the Other Revenue in Arrears Account had been overstated in a sum of Rs. 679,712.
- (i.) Although the License Fees Revenue for the year under review had been Rs. 111,167 according to the Summary of Consolidated Receipts (P.S. 16), it had been accounted as Rs. 76,267 in the Revenue and Expenditure Account understating the revenue for the year in a sum of Rs. 35,400.
- (j.) Interest Income (1/61) of Rs. 70,647 received during the year under review according to the Summary Revenue Register had not been accounted in the Revenue and Expenditure Account.
- (k.) Rent Income (5/25) of Rs. 27,600 Special Taxes (6/16) of Rs. 3,750 received in December 2013 according to the Monthly Receipts Journal had not been recorded in the Summary Revenue Register. Due to that, it had not been accounted in the Revenue and Expenditure Account.

- (l.) Journal entries had not been made in copying the final balances of the preceding year to the Main Ledger as the opening balances for the year under review, in accounting the Interest on Staff Security Deposits and Rates Received in Advance and capitalizing the Assets purchased.
- (m.) While the balance of the Value Added Tax and the Stamp Fees balance of Rs. 230,392 shown in the Audited Balance Sheet as at 31 December 2012 had been shown as Rs. Rs.62,854 in the column relevant to the preceding year in the Balance sheet of the year under review, 5 balances totalling Rs. 43,984,448 had not been shown in that column.

### 1.3.2 Lack of Evidence for Audit

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Transactions totalling Rs. 58,740,779 could not be satisfactorily vouched in audit due to lack of required information.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 had been Rs. 9,786,395 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.2,553,232 in the preceding year.

### 2.2 Revenue Administration

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#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are 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	3,016	2,915	3,487
(ii)	Lease Rent	2,236	2,259	-
(iii)	Licence Fees	162	72	137

### **2.2.2 Rates**

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While the Rates Billing during the year under review had been Rs. 2,003,652, balance of arrears at the commencement of the year had been Rs.3,003,989. While a sum of Rs. 1,275,842 out of the billings for the year under review and a sum of Rs.631,711 out of the balance of arrears had been recovered, recovery of arrears of revenue had been at a lower value such as 21 percent.

### **2.2.3 Acre Tax**

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While there was a balance of Rs. 34,598 as arrears of Acreage Tax at the beginning of the year 2013, value of the amount billed during the year had been Rs.3,094. Overall recovery during the year had been Rs.2,398 or 6.4 percent and therefore recovery of Acreage Tax had been in a very weak level.

### **2.2.4 Rent of Trade Centers**

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Although Rent of Trade Centers amounting to Rs. 162,000 had been billed for the year 2013, amount recovered during the current year had been Rs. 42,625 or 26 percent.

### **2.2.5 Court Fines and Stamp Fees**

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Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were as follows.

	Rs.
Court Fines	44,631,414
Stamp Fees	14,333,752

## **3. Operating Review**

### **3.1 Accident to Double Cab Vehicle 53-4618**

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The Double Cab Vehicle 53-4618 belongs to the Sabha had met with an accident on 13 May 2013. Action in terms of Financial Regulations 102 and 104 of the Republic of Sri Lanka had not been taken in connection with the losses.

Although a sum of Rs. 85,200 had been paid out of Sabha Fund for repairs to the Cab Vehicle vide voucher No. 13 dated 04 September 2013, action had not been taken to identify the parties responsible and recover it from them.

### **3.2 Performance**

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- (a.) A sum of Rs. 27,754,465 had been estimated for implementation 53 Projects during the year 2013 out of the Sabha Funds without queuing priority. Following observations are made.
- (i.) While 33 Projects had been completed as at 24 January 2014, date of audit estimated value of which had been Rs. 16,296,000. Accordingly, 41 percent of the estimated Projects had not been performed.
  - (ii.) While estimates of only 8 projects had been prepared as at the date of audit, value of those had been Rs. 4,471,000. Estimates had not been prepared for 8 Projects amounting to Rs. 2,757,465.
  - (iii.) While 4 Projects for which agreements had been signed during July, October and December of the year under review had not been performed, estimated value of those had been Rs.4,230,000.
- (b.) Action had not been taken to commence work even up to 24 January 2014 relating to 43 Projects for which agreements had been signed from April to December 2013 under the Maga Neguma Rural Development Programme.

### **5. Systems and Controls**

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Special attention is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Revenue Administration
- (iii.) Vehicles Control
- (iv.) Assets Management
- (v.) Contracts Administration