

Nattandiya 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 21 March 2014 and the financial statements for the preceding year had been presented on 22 March 2013. The report of Auditor General for the year under review was sent to the Chairman on 12 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 Nattandiya 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 Deficiencies

The following observations are made.

- (a.) The value of Weerahena Cremetorium, Nattandiya Town Hall Building, 02 Water Projects, Nattandiya Trade Complex, Marawila Super Market Complex, Dematapitiya Trade Complex and the Halpanwila Stalls constructed at an expenditure of Rs.5,475,307 had not been assessed and brought to account.
- (b.) The shortage of library books valued at Rs.223,091 identified at the verification of goods for the years 2009, 2012 and 2013 had not been removed from the fixed assets account and the revenue contribution to capital outlay account.
- (c.) The cash balance of Rs.12,412,706 shown in the balances sheet included 11 cheques valued at Rs.748,240 dishonoured during the period 2001 to 2010.

1.3.2 Unreconciled Control Accounts

The total of the ledger balances relating to rates and taxes, water tax and acre tax in arrears amounted to Rs.24,193,746 and according to the financial statements the total of the balances amounted to Rs.23,164,830 indicating an unreconciled difference of Rs.1,028,916.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs.254,338,973 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.4 Bank Reconciliations

According to the analysis of the Bank Reconciliation Statements, action had not been taken in terms of the provisions of Financial Regulation 189 in respect of 12 dishonoured cheques valued at Rs.757,267 and recover the money.

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.61,597,179 as compared with the excess of revenue over recurrent expenditure amounting to Rs.56,557,906 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the 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
	<hr/>	<hr/>	<hr/>	<hr/>
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	17,814	15,295	22,902
(ii)	Lease Rent	20,947	21,893	2,224
(iii)	Licence Fees	1,008	1,018	87
(iv)	Other Revenue	-	57,316	139,975

2.2.2 Rates and Taxes

Rates and taxes billed for the year under review amounted to Rs.15,929,547 and of this only 54% had been collected during the year.

2.2.3 Court Fines and Stamp Fees

Money receivable as at 31 December 2013 from the Chief Secretary and other authorities are shown below.

	Rs.
(i.) Court Fines	2,930,854
(ii.) Stamp Fees	74,970,732

2.2.4 Surcharges

A sum of Rs.1,805,437 had been recoverable as at 31 December 2013 in respect of the surcharges levied by me during the preceding years against the parties responsible in terms of the provisions of the Pradeshiya Sabha Act No.15 of 1987.

3. Operating Inefficiencies

The following observations are made.

- (a.) A sum of Rs.5,570 had been paid as at end of the year under review for surcharges levied against the Sabha for delay in payment of contributions to the Employees Provident Fund payable for the employees served in the Sabha and a further sum of Rs.94,770 is payable for the same purpose in due course.
- (b.) Action had not been taken during the year under review to recover lease rent in arrears amounting to Rs.1,356,500 due from 19 lessees for the period 2004 to 2013.
- (c.) A sum of Rs.1,167,000 had been due to the Sabha from the Electrical Engineer, Wennappuwa as reimbursements for street lighting for the period 2000 to 31 September 2004.
- (d.) Action had not been taken to recover the sum of Rs.100,000 obtained by the Local Government Parent Body in 1999 and even the interest receivable had not been computed since 2007.
- (e.) Officers responsible for the misplace of library books valued at Rs.119,064 detected at the verifications carried out during the years 2009, 2012 and 2013 had not been identified and the value of books and the Departmental chargers of Rs.29,766 had not been recovered from them. Further the above amounts had not been brought to account as balances receivable.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Budgetary Control
- (d.) Assets Management
- (e.) Debtors and Creditors Control
- (f.) Employees Loans