

Kalutara Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented on 28 March 2013 and the financial statements for the preceding year had been presented on 27 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 November 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Kalutara Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kalutraa Pradeshiya Sabha as at 31 December 2012 and financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Purchase of stocks during the year amounting to Rs.7,685,003 had been debited to the income and expenditure account instead of accounting the stores items issued amounting to Rs.8,579,719 to the income and expenditure account as expenditure for the year.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.56,115,394 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 2012 amounted to Rs.2,553,232 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,504,642 for the preceding year.

2.2 **Financial Control**

According to 185 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988, the cash balance of the Sabha should be verified by the Chairman time to time and an amount of money that can be released easily should be invested with the consent of the Sabha. Although there was a cash balance of Rs.13,178,737 in the general account as at 31 December 2011; the Sabha had not considered to invest even a part of the above money.

2.3 **Revenue Administration**

2.3.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the 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	3,102	2,158	3,385
(ii) Lease Rent	110	87	48
(iii) Licence Fees	713	663	110

2.3.2 Rates and Acre Tax

Rates and Taxes in arrears as at 31 December 2012 amounted to Rs.3,033,990. There were 121 rate payers in the Left Division of the Colombo Road and there were 20 rate payers of whom the outstanding balances were over Rs.2,000 and the amount outstanding was Rs.78,405.

2.3.3 Business Tax Industry Tax and Licence Fees

Business tax amounting to Rs.181,210 from 186 institutions, industry tax amounting to Rs.20,780 from 41 institutions and licence fees amounting to Rs.11,050 relating to 38 institutions relating to year 2012 had not been recovered even by 23 May 2013; the date of audit examination.

2.3.4 Court Fines and Stamps Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	<u>Rs.</u>
(i) Court Fines	33,783,338
(ii) Stamp Fees	8,500,000

2.4 Idle and Underutilized Assets

The vehicle bearing NO.37-9779 and the Road Roller respectively had been parked without being utilized and repaired since 14 June 2007 and 29 July 2009.

2.5 Irregular Transactions

A sum of Rs.91,191 had been paid from the Sabha funds for the private telephone bills of the Secretary of the Sabha for the period January 2011 to the date of audit examination in April 2013 contrary to the provisions of the Public Finance Circular No.446 dated 01 September 2010.

2.6 Contract Administration

A sum of Rs.1,940,000 had been approved under decentralized funds – 2011 for the construction of the crematorium of the General Cemetery, Nagoda-Atawila. An agreement had been entered into with the contractor on 23 November 2011 to complete the work within one month. A sum of Rs.838,315 had been paid from the decentralized fund on 31 December 2011 for this work and a sum of Rs.525,333 had been paid from

the Sabha funds on 22 June 2012. The matters observed at the physical check carried out on 21 May 2012 are shown below.

- (a) The work had not been completed.
- (b) Only the walls and the roof of the crematorium had been constructed, and the outside of the wall had been fully plastered and the inside had been plastered up to about 08 feet. However, the finishing of walls was not good.
- (c) Action had not been taken to complete the balance work of the crematorium and the parts constructed had been over-grown.

2.7 Operating/Management Inefficiencies

The following observations are made.

- (a) An amount of Rs.345,570 due as at 31 December 2012 from the officers dismissed, transferred and interdicted had not been recovered.
- (b) A corporate plan for a period not less than 03 years had not been prepared to achieve the vision and the mission of the institution and an action plan also had not been prepared. A procurement plan had not been prepared.

2.6 Internal Audit

According to Sub-rule 7 of Rule 5 of the Pradeshiya Sabha Rules-1988, it is the responsibility of the Chairman to establish an adequate internal audit in respect of financial and stores transactions. But, it had not been acted accordingly.

3. 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) Control over Vehicles
- (d) Assets Management
- (e) Contract Administration