

Chilaw Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 24 April 2013 and the financial statements for the preceding year had been presented on 31 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 11 October 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 Chilaw 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 Chilaw Pradeshiya Sabha as at 31 December 2012 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

- (a.) The value of Rs.2,825,000 shown in the title deeds for 08 blocks of lands given to the Sabha during 2012 for common activities had not been accounted.
- (b.) Income from stamp fees receivable from the Chief Secretary had been understated by Rs.1,275,971 in the accounts.

1.3.2 Unreconciled Control Accounts

Balance as per accounts relating to 05 items of accounts as at end of the year under review amounted to Rs.155,880,845 and the balance as per subsidiary registers amounted to Rs.156,137,871.

1.3.3 Accounts Payable

The total value of 15 balances of accounts payable for over 01 year as at 31 December 2012 amounted to Rs.8,915,426.

1.3.4 Lack of Evidence for Audit

Revenue in arrears totaling Rs.109,290,083 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.40,881,421 as compared with the excess of revenue over recurrent expenditure amounting to Rs.19,154,173 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 the arrears of revenue in respect of the year under review as presented by the Chairman is 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	2,260	2,344	2,870
(ii.) Lease Rent	6,176	6,510	1,086
(iii.) Licence Fees	3,104	3,797	-
(iv.) Other Revenue	66,212	7,929	113,831

2.2.2 Rates and Taxes

Rates and Taxes in arrears for over 01 year as at end of the year under review in respect of 314 units amounted to Rs.1,653,707.

2.2.3 Lease Rent

Lease rent in arrears for over 01 year as at end of the year under review in respect of 07 business locations amounted Rs.544,060.

2.2.4 Court Fines and Stamp Fees

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

	Rs.
(i.) Court Fines	7,018,636
(ii.) Stamp Fees	92,422,964

2.3 Idle Physical Resources

The lorry bearing No.43-3972 owned by the Pradeshiya Sabha had not been in running condition for over 02 years.

2.4 Operating Inefficiencies

The following observations are made.

- (a.) An internal control system had not been in operation in re-issuing street lamp maintenance equipment by taking into consideration the earlier issues, usage and the balance. Therefore, the Sabha had suffered a loss of Rs.558,818 during the year under review.
- (b.) Lands for public facilities had not been obtained and 1% on sales vale had not been recovered in respect of two lands to the extent of 13 Acres block-out and sold within the area of the Sabha without authority.

- (c.) Action had not been taken to fill the vacancies of the Secretary post, 05 posts of Technical Officers and 03 posts of Revenue Controllers existed as at end of the year under review.
- (d.) The entire provision of Rs.3,800,000 made by the annual budget for the year 2012 in respect of 03 items of capital expenditure had not been utilized. Out of the provisions amounting to Rs.3,500,000 made for 02 items of maintenance expenses, only a sum of Rs.480,205 had been spent and a sum of Rs.3,019,795 had not been utilized.

3. 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.) Control over Stocks at Stores