

**Kahawatta Pradeshiya Sabha**

**Rathnapura District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 20 February 2013 and the financial statements for the preceding year had been presented on 29 February 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 29 August 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 Kahawatta 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 Kahawatta 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**

Action had not been taken to examine and adjust the ledger accounts accordingly with regard to the difference of Rs.3,425,391 between the balances of 4 items of accounts appearing in the ledger account and the balances appearing in the subsidiary registers.

**1.3.2 Lack of Evidence for Audit**

Transactions totalling Rs.48,760,070 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2012 was Rs.4,545,796 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.6,157,354.

### **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 in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	2,777	3,137	2,760
(ii.) Lease Rent	2,931	2,917	731
(iii.) Licence Fees	727	702	-
(iv.) Other Revenue	-	8,440	-

#### **2.2.2 Rates and Taxes**

The balance recoverable from 1326 units of rates and taxes was Rs.2,537,889. Of these, 111 units contained arrears of balances exceeding Rs.5,000 which amounted to Rs.1,479,798. The period of arrears relating to these 111 units ranged from 1 quarter to 15 years.

#### **2.2.3 Licence Fees**

A balance of Rs.474,316 continued from years prior to 2012 on behalf of lease relating to fish and meat stalls and weekend fairs. So far, action had not been taken to recover these.

#### **2.2.4 Court Fines and Stamp Fees**

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities were as follows.

	Rs.
(i.) Court Fines	1,513,166
(ii.) Stamp Fees	5,339,510

#### **2.3 Transactions without Adequate Authority**

A resolution to write off Rs.74,615 that could not be recovered from Kahawatta weekend fairs for the year 2008 was passed at the general meeting held on 30 October 2012. This balance had been written off the registers before obtaining the Minister's approval.

#### **2.4 Irregular Transactions**

- (a.) A sum of Rs.222,365 had been paid to a private institution on 30 March 2012 for purchasing office equipment for head office, deviating the procurement procedure.
- (b.) An expenditure of Rs.33,430 had been incurred on the friendly cricket match played on 10 January 2012. In this connection, the prior approval of the Minister had not been obtained in terms of Section 132(L) of the Pradeshiya Sabha.

#### **2.5 Operating Inefficiencies**

- (a.) Action had not been taken even as at end of the year under review with regard to 11 balances of creditors totally valued at Rs.1,361,093 relating to 2010 and 2011.
- (b.) The balance of Rs.1,741,782 shown as deposits in the accounts as at 31 December 2012 exists from the year 2006. But, the Sabha had no schedules or any other evidence to identify it.

- (c.) Proper control had not been exercised on issue of licences with regard to the wholesale fish fair being conducted for many years daily on either side of the main road of Colombo- Embilipitiya at Madampe Junction.
- (d.) Although 42 jobs valued at Rs.13,821,400 had been estimated during the year under review, 6 jobs amounting to Rs.1,975,000 alone had been completed.

**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.) Assets Management
- (e.) Creditors Control