

**Kalpitiya 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 01 July 2013 and the financial statements for the preceding year had been presented on 25 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 September 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 Kalpitiya 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 Kalpitiya 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**

The value of the 05 buildings constructed by the Solid Waste Project amounting to Rs.5,070,362; value of the Kandakuliya Pre-school building amounting to Rs.319,879 and the value of a stock of books received as donations amounting to Rs.72,675 had not been taken to the fixed assets accounts.

### **1.3.2 Lack of Evidence for Audit**

(a.) Un-answered Audit Queries

Reply had not been furnished to an audit query up to 30 October 2013 and the value of quantifiable transactions relating to the said audit query amounted to Rs.22,486,429.

(b.) Non-submission of Information to audit

Transactions totaling Rs.64,382,512 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

(c.) Non-submission of Payment Vouchers to Audit

Twenty eight payment vouchers totaling Rs.1,873,603 had not been furnished to audit even up to 09 September 2013.

## **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.5,370,586 as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,861,979 for the preceding year.

### **2.2 Financial Control**

The following observations are made.

(a.) The total of the balances relating to 04 items of accounts amounted to Rs.10,696,336 whereas the total of the balances of those accounts as per the registers maintained in respect of the said items amounted to Rs.9,585,139 thus indicating a difference of Rs.1,111,197 in the accounts.

(b.) The value of the accounts payable to outside parties by the Sabha as at 31 December 2012 amounted to Rs.26,631,294 and the value of the balances remained for over one year amounted to Rs.20,407,855.

(c.) The value of accounts receivable as at 31 December 2012 as per accounts amounted to Rs.22,682,973 and of this, the total of the balances remained for over one year amounted to Rs.9,001,008.

- (d.) Employees loan balances recoverable as at 31 December 2012 amounted to Rs.5,612,492 and balances over one year amounted to Rs.4,695,124. Of this, loan balances totaling Rs.178,193 had remained outstanding for over 05 years in respect of 58 employees deceased, retired and vacated the posts.
- (e.) Assets remained non-moving for over one year as at 31 December 2012 amounted Rs.277,080.
- (f.) The following taxes had been retained without remitting to the Commissioner General of Inland Revenue.

	Rs.
(i.) Value Added Tax	2,058,408
(ii.) Nation Building Tax	30,039
(iii.) Goods and Services Tax	289,387

## **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 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
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	6,720	1,602	5,118
(ii.) Lease Rent	12,623	5,343	7,280
(iii.) Licence Fees	1,770	1,611	159
(iv.) Other Revenue	35,968	26,214	9,754

### **2.3.2 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.
(iv.) Court Fines	2,255,757
(v.) Stamp Fees	7,498,168

### **2.4 Idle and Underutilized Physical Resources**

Eight items of assets such as Sabha building and motor vehicles valued at Rs.3,202,000 had been idling for over a number of years.

### **2.5 Irregular Transactions**

Advances of Rs.1,339,524 given to the officers of the Sabha during the period 1989 to 2012 for various activities had not been settled and the details of utilizing these advances for the intended purposes were not made available to audit.

### **2.6 Dormant Accounts**

There was a balance of Rs.98,886 in the current account bearing No.125-1-001-1-3101645 maintained at the Peoples Bank, Kalpitiya since year 2006 and no transaction had been done through this account up to now.

### **2.7 Operating Inefficiencies**

- (a.) Six vehicles owned by the Sabha that can be used after repairing had been parked idling exposing to elements of nature without being used for operation of the Sabha.
- (b.) Fuel consumption of the Cab bearing No.252-6469 owned by the Sabha had been increased by 314 liters as compared with the preceding year.

### **2.8 Internal Audit**

An adequate internal audit had not been carried out at the institution.

**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.) Assets Management
- (d.) Control over Vehicles