

Arachchikattuwa 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 02 May 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of Auditor General for the year under review was sent to the Chairman on 11 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 Arachchikattuwa 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 value of the Sony Micro Cassette and its accessories owned by the Sabha had not been computed and brought to account.

1.3.2 Unreconciled Control Accounts

The total of 07 items of accounts amounted to Rs.19,791,649 as per financial statements and according to the subsidiary registers, the total of the relevant balances amounted to Rs.19,374,173 thus disclosing an unreconciled balance of Rs.397,476.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs.42,303,514 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.4 Accounts Receivable and Payable

The accounts receivable as at 31 December 2013 amounted to Rs.39,671,085 and of this a sum of Rs.4,030,064 represents property tax in arrears for over 03 years. The balance of creditors payable amounted to Rs.10,101,156.

1.3.5 Employees Loans Recoverable

Employees loans recoverable as at 31 December 2013 amounted to Rs.3,400,922 and the balances due for over 5 years amounted to Rs.143,460. An age analysis relating to those balances had not been submitted with the accounts.

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.2,920,753 as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,548,161 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
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,932	1,946	8,291
(ii)	Lease Rent	2,319	3,101	4,804
(iii)	Licence Fees	925	947	-
(iv)	Other Revenue	27,713	16,409	25,697

2.2.2 Lease Rent in Arrears

A sum of Rs.4,966,890 was in arrears in respect of weekly fair and other properties owned by the Sabha for over a long period and action had not been taken to recover these arrears even during the year under review.

2.2.3 Stall Rent in Arrears

A sum of Rs.399,990 had been recoverable in respect of lease of buildings owned by the Sabha during the year under review.

2.2.4 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	2,013,250
(ii.) Stamp Fees	11,102,330

2.2.5 Trade Licence Fees

According to the budget for the year under review, 1,300 business locations had been identified for recovery of trade licence fees. However, licence fees had been recovered only from 833 business locations. The Sabha had not taken action to recover licence fees from 467 business locations.

3. Operating Review

3.1 Surcharges

- (a.) The Auditor General had issued a surcharge notice on 24 March 2011 to the officers of the Sabha including the Chairman for non-recovery of lease rent amounting to Rs.901,705 in respect of lease of the right of collecting the charges for Arachchikattuwa weekly fair. Of this amount, a sum of Rs.113,100 had been recovered in instalments as at end of the year under review and a further sum of Rs.788,605 has to be recovered.
- (b.) The Sabha had paid a surcharge of Rs.8,468 to the Employees Provident Fund in respect of a surcharge levied by the said Fund for delay in payment of contributions and it is expected to surcharge it in due course.
- (c.) The Employees Provident Fund had levied a surcharge of Rs.5,599 to the Sabha due to delay in payment of contributions to the said fund and the above surcharge is expectable to be paid by the Sabha in due course.

3.2 Operating Inefficiencies

The following observations are made

- (a) 70 Counter Foil Receipt Books had been issued to the Office of the Medical Officer of Health, Arachchikattuwa during the year under review and none of these books had been returned after use.

- (b) It was observed that the internal control over P.S.01 Counter Foil Books use for collection of revenue is very poor and that few officers had used 07 receipt books at a time. Further it could not ensure that the revenue collected at field and office had been properly accounted.
- (c) 07 items of Tractor and accessories valued at Rs.3,195,210 and 04 items of machinery and equipment valued at Rs.125,680 as at 31 December 2013 had not been confirmed by Board of Survey Reports.

3.3 Idle and Underutilized Physical Resources

An expenditure of Rs.1,618,954 had been incurred during the year 2005 for the construction of the Anavilundawa Fish Market of which the estimated cost was Rs.2,685,570. However, it had been lying idle without being used due to non-completion of construction works.

3. Systems and Controls

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

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