

**Kalpitiya Pradeshiya Sabaha**  
**Puttlam District**

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial Statements for the year under review had been presented for Audit in 24 March 2016 and the financial statements for the preceding year had been presented on 27 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 20 July 2016.

1.2 **Qualified Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this reports, 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 Kalpitiya Pradeshiya Sabha as at 31 December 2015.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

The following deficiencies are observed.

- a) Lands and 24 building units owned by the Sabha had neither been valued nor brought to account and two cameras valued at Rs.36,000 had not been brought to account under fixed assets. Further, stamp fee receipts of Rs.18,342,613 had been brought to account under other revenue while telephone and electricity bills totaling Rs.17,756 had not been shown under creditors.
- b) Provisions of three creditors had been over stated by Rs. 146,356 while a sum of Rs.9,975 applicable to two debtors had been under stated in accounts.
- c) Provision of Rs.5,014,975 related to 26 projects not completed had been brought to account under industrial creditors.

1.3.2 **Un reconciled Control Accounts**

Balance as per financial statements presented applicable to the year under review had been Rs.16,527,949 while the same as per schedules had been Rs.16,261,852 leading to a variance of Rs.266,097.

1.3.3 **Accounts receivable and payable**

Following matters are observed.

- a) The value of accounts receivable as at 31 December 2015 amounted to Rs.53,667,468 while the value of accounts payable at the same date amounted to Rs.30,580,052 and carrying forward over a period of one year amounted to Re. 17,358,386 while the total balance of accounts payable over a period of 03 years amounted to Rs.13,188,762.

b) Staff Loan

Total of staff loan advance balance recoverable as at 31 December 2015 amounted to Rs.4,319,572 while the total of balance in arrears over 07 years amounted to Rs.138,041.

1.3.4 Lack of Evidence for Audit

Account balance amounting to Rs. 113,663,673 could not be verified satisfactorily due to non submission of sufficient evidence at the audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

The instances of non compliance with laws, rules and regulations are indicated below.

- a) Action had not been taken to properly collect all rates and taxes, lease rent, licence fees, court fines and stamp fees amounting to Rs.45,194,021 receivable by the Sabha as stipulated in Section 129 (2) (a) and (f) of the Pradeshiya Sabha Act. No. 15 of 1987 while legal action had not been taken against business entities of the area of authority for non payment of licence fees as per Section 150 (4) of the Act.
- b) Action had not been taken to settle Adhoc Sub imprest (advance) during the relevant year totaling Rs.278,087 made available to officers during the period from 1989 to 2013 as per FR 371(5) and bring to deposits revenue totaling Rs. 1,425,879 over 02 years to revenue as per FR 571 of the Republic of Sri Lanka.
- c) Good and Services Tax amounting to Rs. 289,387, Value Added Tax amounting to Rs.4,326,351 and Nation Building Tax amounting to Rs. 53,221 collected over a number of years had not been sent to Commissioner General Inland Revenue.

2. Financial Review

2.1 Financial Result

According to financial statements presented, the excess of recurrent expenditure over income of the Sabha for the year ended 31 December 2015 amounted to Rs.23,005,549 as compared with the excess of the recurrent expenditure over income for the proceeding year amounted to Rs. 8,991,395.

2.2 Analytical Financial Review

33% of the provisions allocated in the budget for recurrent expenditure for the year under review had been utilized while Rs. 25 million representing 80% out of the total capital expenditure of Rs.31 million had been utilized.

2.3 Revenue Administration

2.3.1 Performance on Revenue Collection

- a) Progress relating to collection of revenue in arrears and billed revenue of the Sabha for the year under review is indicated below.

Item of Revenue	Revenue in arrears as at 01.01.215	Recovery from arrears	Progress collecting arrears	Billed revenue of the year	Recovery from billed revenue	Progress of recovery
	Rs'000	Rs'000	%	Rs'000	Rs'000	%
Rates & Taxes	7,992	1,206	15	1,818	413	23
Lease rent	4,046	2,035	50	2,374	144	06
License fees	75	4	05	2,118	2,118	100
Other revenue	4,858	178	04	3,118	2,978	96

### 2.3.2 Rates and Taxes

a) The following matters are observed.

Shortage as at 01st January 2015 had been Rs.7,277,733 while the amount recoverable along with billed amount of Rs.1,754,803 was Rs.9,032,536 out of which only Rs.1,582,285 had been recovered. Accordingly shortage at the end of the year had been Rs.7,450,251 which represent 18% as a percentage.

c) Rates and taxes on land with building for which letters of conformity had been issued following the approval of plans for undertaking new constructions or making improvement to existing buildings had not been revised.

### 2.3.3 Lease Rent

Lease rent in arrears as at 01 January 2015 amounted to Rs.8,460,925 while billed amount for the year under review had been Rs.5,445,538. Accordingly the amount recoverable had been Rs.13,906,463 of which Rs.5,549,593 or 45% had been recovered during the year.

### 2.3.4 Court fines and Stamp fees

Out of court fines amounting to Rs.1,020,081 sent to the Chief Secretary from October to December, of 2015, Rs.720,081 had been received in February 2016 and out of stamp fees of Rs.18,342,613 recoverable at the end of the year under review, Rs.13,042,663 had been received in February and May 2016.

## 3. Operating Review

### 3.1 Operating Inefficiencies

The following matters are observed.

a) Advance of Rs.282,124 as at 31 December 2015 had not been settled of which the value of advance over 02 years amounted to Rs.280,124.

b) Physically non-existing balance of Rs.18,667 had been continued to appear at bank reconciliation statements of current account No.0002890535 in the form of cash in hand at sub office of the Sabha.

c) Due to delay in the payment of EPF contribution, the surcharge of Rs.6,749 imposed had been paid out of the Sabha fund.

d) A Sum of Rs.1,951,770 should have been paid to "Pension Fund" as at 31 December 2015.

4. Good Governance & Accountability

4.1 Audit & Management Committees

As per audit committee letter No. NW/Chief/Sec/05/03 dated 05 October 2010 of the Chief Secretary, North-western PC, although one audit committee meeting should be held per one quarter, none was held during the year under review.

4.2 Environmental Conservation

Although a solid waste management centre had been opened by the Sabha, it had failed to supply compost production to meet the market demand.

4.3 Assets Management

a) Idle and Under Utilized Assets

08 Vehicles had been remained idle due to non use of them during a period from 01-07 years and 06 of them had been valued at Rs.1,719,515.

b) Annual Board of Survey

The ownership of property of the Sabha had not been got confirmed through annual board of survey during the year under review. Accordingly to the board of Survey report of the previous year 222 library books had been lost. Although it had been recommended to recover the value of those books from responsible persons, action had not been taken to that effect.

c) Human resources Management  
Approved and Actual Cadre

The post of Secretary of the Sabha remained vacant for number of years while 11 secondary and primary positions were also remained vacant. In addition 28 persons had been recruited to posts in secondary and primary grades and paid salaries to them in 2015, of which Rs.8,843,541 had not been reimbursed by the Local Government Department (North-West). The expenditure incurred by the Sabha towards filling vacant posts could have been got reimbursed and saved the expenditure.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems & controls

- a) Revenue Administration
- b) Assets Management
- c) Accounting
- d) Vehicle Control