

Suriyawewa Pradeshiya Sabha

Hambantota District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 23 April 2013 and the financial statements for the preceding year had been presented on 03 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 31 July 2013.

1:2 Opinion

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Suriyawewa Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

1:3 Comments on Financial Statements

1:3:1 Accounting Policy

The accounting policy adopted by the Sabha for preparation of financial statements had not been disclosed.

1:3:2 Accounting Deficiencies

The following observations are made.

- (a) The Sabha had received Rs.2,775,600 as entertainment tax from the Sri Lanka Cricket Association vide receipt No.10426 dated 24 May 2012 on behalf of the cricket match played at the Suriyawewa Cricket Stadium. This had been debited instead of being credited in the deposit account on behalf of revenue in the main ledger. Out of this amount, a sum of Rs.1,043,760 had been refunded to the Cricket Association with regard to the value of unsold tickets. This amount had been credited instead of being debited in the deposit account on behalf of revenue in the main ledger. As a result of reverse entries of debit and credit balances in deposit account in this manner, the revenue of Rs.1,731,840 relating to the year had not been accounted for and the balances in the deposit account too had not been correctly depicted in the accounts.
- (b) During the year under review, a sum of Rs.14,826,385 had been received on behalf of the work carried out in 2011. But, a sum of Rs.10,857,761 only had been credited in the work debtors.
- (c) The arrears of court fines as at 31 December 2012 as per Court Fines Account was Rs.1,721,315 whereas it was Rs.1,201,882 as per file. Accordingly, a difference of Rs.519,433 was observed.

1:3:3 Lack of Evidence for Audit

Fifteen items of accounts aggregating Rs.9,508,671 could not be satisfactorily vouched in audit due to non-rendition of related documentary evidences and information.

02. 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.5,369,253 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.443,030.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and arrears of revenue for the year under review, as presented by the Chairman, appears below.

	Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	-----	-----	-----	-----
		Rs'000	Rs'000	Rs'000
i.	Rates and Taxes	2,502	2,095	-
ii.	Lease Rent	9,987	11,434	1,922
iii.	Licence Fees	414	2,222	25
iv.	Other Revenue	10,062	10,493	17,545

2:2:2 Rates and Taxes

Action had not been taken to identify the improved areas within the authoritative area of the Sabha, to assess rates and taxes and to recover same as required by Section 134(1) of the Pradeshiya Sabha Act, No. 15 of 1987.

2:2:3 Lease Rent

The following observations are made.

- (a) Action had not been taken in terms of 1988 Pradeshiya Sabha (Finance and Administrative) Rules 177 and 178 to call for tenders and to offer the Suriyawewa Week end Fair and the fish market of the Alioluara Week end Fair on lease.
- (b) The lease rent assessed for each of the 26 stalls at the Suriyawewa Week end Fair premises was Rs.55,000 and the lessee had been allowed concession to pay the initial deposits in 12 instalments from January to December 2007 without recovering it as a lump sum . Although 72 month had elapsed as at end of the year under review, a further sum of Rs.527,060 remained recoverable.
- (c) The rate assessed for seven stalls of the Suriyawewa Week end Fair was Rs.162,000 per stall and the lessees had been allowed time to pay the key money in 36 instalments from January 2008 to January 2010. However, out of the Rs.1,134,000 recoverable, Rs.304,048 alone had been recovered as at 31 December 2012 although 60 months had elapsed. The arrears was Rs.829,952 and it was 73 per cent of the total amount.
- (d) The rate assessed for 8 stalls close to the Suriyawewa Bus Stand was Rs.126,000 per stall and the lessees had been allowed time to pay the key money in 42 instalments form December 2008 to May 2012. However, it was observed that Rs.191,000 out of the entire key money of Rs.1,008,000 remained recoverable as at 31 December 2012.

- (e) Accordingly to Paragraph 4 of the Circular No. 05/2010/01 dated 27 December 2012 issued by the commissioner of Local Government (Southern Province), it is a must to recover the key money in full and if the lessee makes a request that he is unable to do so, the approval of the Sabha should be sought and an opportunity to pay the key money in 6 maximum instalments within 6 months may be given . However, such action had not been taken to recover the key money of stalls.
- (f) Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act, No. 15 of 1987 to recover the arrears of Rs.374,650 as at 31 December 2012 due from 42 stalls of the Sabha.
- (g) According to Paragraph 5 of the Circular No. 05/2010/01 dated 27 December 2012 issued by the Commissioner of Local Government effective from 01 January 2011, all agreements should be updated every 3 years. However, the agreements of 12 old stalls and 26 new stalls of the Week end Fair belonging to the Sabha had not been updated for about 30 Years.
- (h) Action had not been taken to enter into agreements with regard to 7 newly constructed stalls.

2:2:4 Licence Fees

The following observations are made.

- (a) Action had not been taken to recover arrears of licence fees of Rs.24,950 as at end of the year under review in terms of section 152(4) of the Pradeshiya Sabha Act, No. 15 of 1987.
- (b) It was observed that the Sabha had not revised tax for 2012 from 4 centers conducting private classes and 2 offices of notary public within the authoritative area of the Sabha.

