

Walallavita Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 15 August 2016 while Financial Statements relating to the preceding year had been submitted on 16 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 11 August 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Walallavita Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a) Although Rs. 50,000 should be credited to the Stamp Fees Receivable Account having debited the loan account payable to Provincial Road Development Authority, in order to write off the loan of Rs. 50,000 payable to the Provincial Road Development Authority for repairing the cab vehicle during the year 2014, it had been debited to the Accumulated Fund Account.
- (b) The Fax Machine valued at Rs. 17,205 purchased during the year under review had been accounted as a recurrent expenditure.
- (c) The Commission of Rs. 50,854 recovered during the year under review by the bank for collection of revenue of the Iththepana Sub-office and the sum of Rs. 58,997 recovered for the past years had not been accounted.
- (d) Stamp Fees amounting to Rs. 809,505 received during the year under review in respect of past years had not been accounted in the Accumulated Fund account.

1.3.2 Non-reconciled Control Accounts

- (a) Although the balance of 09 items of accounts according to accounts was Rs.38,635,942, balance according to schedules had been Rs.38,107,506. Accordingly a difference of Rs.528,436 was observed.
- (b) A sum of Rs. 344,925 relevant to the years from 2009 to 2014 not mentioned in the schedule of advances submitted with the financial statements, had been shown as un-settled advances in the Register of Advances.

1.3.3 Lack of Evidence for Audit

Four balances of accounts totaling Rs. 116,206,059 could not be satisfactorily vouched in audit due to non-mention of detailed schedules.

1.3.4 Non-compliance with Laws, Rules, Regulation etc

Following non-compliances with Laws, Rules, and Regulations were observed in audit.

(a) Financial Regulations of the Republic of Si Lanka

- (i) Although an advance granted for a particular work should be settled immediately after completion of that work in terms of Financial Regulation 371(a) advances amounting to Rs. 115,000 granted during the years from 2008 to 2012 had not been settled even as at 26 January 2016, date of audit.
- (ii) Action in terms of Financial Regulation 396(d) had not been taken with regard to 57 cheques amounting to Rs. 275,404 issued, but not presented for payment to the bank during a period exceeding 06 months, as shown in the bank reconciliation statements prepared as at 31 December 2015 relevant to two current accounts.
- (iii) Although vehicle log books should be maintained in terms of Financial Regulation 1645, the Sabha had not written up log books for any vehicle.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 had been Rs.7,058,430 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 1,288,035 in the preceding year.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue totaling Rs. 2,732,630 at the end of the year under review had not been recovered in terms of provisions in Sections 158 and 159 in the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Rates

While a sum of Rs. 745,276 had been received during the year under review out of the balance of Rates in arrears amounted to Rs. 1,852,765 as at 01 January 2015, the progress of recovery of arrears had been 40.23 percent. While the Rates revenue billed during the year under review was Rs. 1,962,122, out of that sum of Rs. 1,107,252 or 56.43 had been recovered during the year under review.

2.2.3 Acreage Tax

While the Acreage Tax billed for the year 2015 amounted to Rs. 14,822, out of that a sum of Rs. 4,335 or 29 percent only had been recovered as at 31 December 2015. While the balance in arrears as at 31 December 2014 was Rs. 70,268, out of that a sum of Rs. 5,959 or 8 percent only had been recovered as at 31 December 2015.

2.2.4 Industrial Tax

While the balance of Industrial Tax in arrears as at 31 December 2014 was Rs. 119,210, out of that a sum of Rs. 35,000 or 29 percent only had been recovered as at 31 December 2015.

2.2.5 Meat Stalls Rent

While the balance of Meat Stalls Rent in arrears as at 31 December 2014 was Rs. 56,636, out of that any amount had not been recovered during the year 2015.

2.2.6 Publicity Advertisements Charges

It had not been possible to recover charges for the name boards/publicity advertisements fixed within the Pradeshiya Sabha limits, as by-laws had not been imposed for recovery of charge for publicity advertisements / name boards in the area of authority of the Sabha.

2.2.7 Court Fines and Stamp Fees

A sum of Rs. 9,878,212 was due to be received from the Chief Secretary to the Provincial Council and other authorities as shown below.

	Rs.
Court Fines	7,409,907
Stamp Fees	2,468,305

2.2.8 Land Sales Charges

In terms of Section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, 1 percent of the selling price of lands auctioned in the area of authority of the Sabha should be obtained by the Sabha. However without taking action accordingly, while a sum of Rs. 244,357 had been obtained from 02 land sales during the year 2014 as 1 percent of the gross estimate prepared by the Revenue Overseer of the Sabha, action had not been taken to recover the balance amount after adjusting the difference between the gross estimate and the market sales value.

3. Operational Review

3.1 Operational Inefficiencies

- (a) According to the Register of Repiars to the Vehicles, 02 J.C.B. Machines, 02 Cabs, 04 Tractors, 03 Hand Tractors, a Tipper Vehicle and Three Wheeled Vehicle not repaired and not uused for running during a number of years had been parked in the Sabha Premises.
- (b) A sum of Rs. 129,868 had to be paid as a surcharge due to non-payment of instalements since a long period to the Employees Trust Fund on be half of temporary and casual employees in service of the Sabha.

4. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration