

**Seethawaka Pradeshiya Sabha
Colombo District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to Audit on 27 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 29 July 2016.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Seethawaka 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

The following observations are made.

- (a) The value of an item of equipment purchased in the year under review amounting to Rs.18,950 had not been brought to account under the fixed assets.
- (b) The value of 389 flag poles received on 29 June of the year under review valued at Rs.384,534 had not been brought to account.
- (c) A sum of Rs.11,440,961 had been received in the year under review relating to an amount which was estimated as Rs.15,000,000 and brought to account as the revenue of court fines in the preceding year and the over provision for revenue of court fines relating to that, amounting to Rs.3,559,039 had not been brought to account. As such, Accumulated Fund Account and Receivable Revenue of Court Fines Account had been overstated by Rs.3,559,039.
- (d) Even though the accounting policy of the Sabha was the accounting the annual budgeted revenue of court fines as Rs.15,000,000 in the year under review, the revenue of court fines had been brought to account as Rs.19,000,000 in the year under review. As such, the revenue of court fines and the Receivable Revenue of Court Fines Account had been overstated by Rs.4,000,000.

- (e) The Value Added Tax amounting to Rs.785,058 payable relating to December 2015 had not been brought to account.
- (f) The Value Added Tax amounting to Rs.5,859,034 paid in the year 2015 had been entered in the Miscellaneous Deposit Account.
- (g) The Nation Building Tax amounting to Rs.74,502 relating to December 2015 had not been brought to account.
- (h) Reimbursements of Mmbers' Allowances amounting to Rs.998,250 overspent by the Sabha as at 31 December 2015 had not been brought to account.
- (i) The value of a boat, a boat engine and 05 life jackets granted to the Council on 06 December 2012 by the Disaster Management Centre had not been computed and brought to account.
- (j) The interest amounting to Rs.15,109 receivable for fixed deposits for the year under review had not been brought to account.
- (k) The outstanding weekday fair fees amounting to Rs.6,500 written off during the year under review had been deducted from the revenue of weekday fair fees of the current year instead of adjusting to the Accumulated Fund.
- (l) The balance of the Accumulated Fund had been overstated by Rs.681,801 due to recording of journal entries erroneously in the current year for rectifying **the non-recording of domestic loans and the loan installment of the Development Fund for December which were unpaid as at the last date of the preceding year, as creditors.**

1.3.2 Unreconciled Control Accounts

A difference of Rs.897,658 was observed when comparing the balances of accounts of 04 Items of Accounts with the balance according to the final accounts and the balance according to the supporting documents.

1.3.3 Unsettled Accounts

Ten balances of accounts totalling Rs.2,780,398, remaining in accounts since many years had been brought forward without settling even in the year under review.

1.3.4 Lack of Evidence for Audit

(a) Non-submission of Information

Seven Items of Accounts totalling Rs.2,331,631 could not be satisfactorily vouched due to lack of evidence.

(b) Unanswered Audit Queries

Nine audit queries valued at Rs.8,753,333, which were issued as at 31 December 2015 had not been replied even by 31 May 2016.

2 Financial 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 2015 had been Rs.33,896,818 as compared with the corresponding revenue exceeding the recurrent expenditure of the preceding year had been Rs.22,364,439.

2.2 Financial Control

Action in terms of the Financial Regulation 396 of the Democratic Socialist Republic of Sri Lanka in respect of cheques valued at Rs.6,110 older than 06 months relating to the Account No.229-1-001-7-3826543 of the People's Bank, Hanwella Branch.

3. Revenue Administration

3.1 Performance of Collection of Revenue

The information on the arrears of revenue relating to the year under review as presented by the Secretary is given below.

Item of Revenue	Arrears of Billing Balance as at 01 January	Actual Recoveries	Cumulative Arrears as at 31 December
	Rs.	Rs.	Rs.
Rates	6,533,272	10,239,591	10,881,061
License Fees	-	1,483,777	1,483,777
Trade Stall Rents	548,632	4,496,449	4,089,617
Industries and Business Tax	-	2,212,330	2,212,330
Meat Stalls	319,375	8,859,850	8,867,407

3.2 Environmental Permits

According to the Register of Environmental Permits for the year ended 31 December 2015, the valid period relating to environmental permits of 15 registered institutions had lapsed by 03 years. Nevertheless, a sum of Rs.73,800 had been deprived of to the Sabha due to failure in updating those permits.

3.3 Revenue from Publicity Advertisements

The expected revenue of the Sabha amounting to Rs.460,000 had been deprived of due to failure in displaying any advertisement up to now on 06 passenger shelters which were constructed by the Sabha.

4. Operating Review

4.1 Management Inefficiencies

- (a) The Padukka Weekly fair owned by the Sabha had been vested with the Urban Development Authority on 24 May 2014 for the development as a weekly fair with all facilities and the revenue of the weekly fair was being collected by the Urban Development Authority. However, a sum of Rs.1,715,774 had been spent by the Sabha for 14 months for daily removal of garbage and cleaning the fair and the payments to be made for collecting garbage and removing stones had been evaded as well by the Urban Development Authority.
- (b) Action had not been taken to open the Suduwella Crematorium constructed in the year under review by spending Rs.15,000,000 by the Colombo District Secretary from the provision made by the Ministry of Economic Development.
- (c) The Sabha had spent a sum of Rs. 536,742 in the year under review for the project on laying tar on the backyard of the old market, Padukka and operating it as a vehicle park under the Programme of Strengthening the Pradeshiya Sabhas and no expected revenue whatsoever had been recovered therefrom up to now.
- (d) The unusable Tractor valued at Rs.850,000 and the Land Master of which the value was not mentioned were decaying in the premises of the Sabha.
- (e) Electricity bills totalling Rs.100,071 had been paid from the Fund of the Sabha without recovering from the relevant lessees and constructing contractors for electricity bills of the construction work of stalls, public places and Hanwella new weekly fair which were leased out by the Sabha.
- (f) The total of the loan balances of employees recoverable as at 31 December 2015 amounted to Rs.19,083,366 and that balance included an unrecoverable amount of Rs.20,861 remaining from the period before the year 1992.

- (g) New 06 passenger shelters had been constructed during the year under review at a cost of Rs.2,478,204 and an agreement therefor had not been entered into with the institution by which constructions were carried out in terms of Section 173 of the Pradeshiya Sabha Act, No.15 of 1987.
- (h) Contrary to Section 129(g) of the Pradeshiya Sabha Act, No.15 of 1987, the revenue of Rs.26,560 which was derived from deposits for certificates of street lines, deposits for extracts and the Gully Bowser Service, had been distributed among employees.
- (i) Action in terms of the Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka had not been taken in respect of deposits of the Sabha amounting to Rs.5,567,738 remaining over a period of 02 years.

5. Systems and Controls

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

- (a) Internal Control
- (b) Financial Control
- (c) Accounting
- (d) Revenue Administration
- (e) Contract Control
- (f) Assets Management