

**Agalawatta Pradeshiya Sabha**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 25 March 2017 and the financial statements for the preceding year had been presented on 28 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 15 September 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position as at 31 December 2016 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 monthly instalment of Rs. 88,284 for the year under review had not been debited to the Motor Vehicles Account and credited to the Revenue Contributions to Capital Outlay Account. As such, the Assets Account and the Revenue Contributions to Capital Outlay Account of the year under review had been understated by similar amounts.

- (b) According to the accounting procedure of local authorities, the total of assets account should be equal to the total of Revenue Contributions to Capital Outlay Account and the Contribution of Aid to Capital Account. However, a difference of Rs. 39,994,479 was observed between those 2 accounts.
- (c) The sum of Rs. 2,819,877 payable to the Department of Pensions as at end of the year under review had been omitted in the financial statements.
- (d) The revenue from rates and taxes for the year under review amounting to Rs.1,249,111 had been brought to account as revenue from lease rent. As such, the revenue from rates and taxes for the year had been understated by a similar amount and the lease rent for the year had been overstated by a similar amount.
- (e) The under provision of Rs. 2,633,525 relating to stamp fees of the previous year should have been debited to the arrears of stamp fees and credited to the accumulated fund. However, it had been credited to the revenue of the year. As a result, the revenue for the year under review had been overstated in the financial results. Further, a sum of Rs. 7,000,000 had been billed as revenue from stamp fees for the year under review. But, the amount obtained during the year amounted to Rs. 3,494,670 only. As such, the outstanding balances of stamp fees as at 31 December 2016 should have been Rs. 3,505,330. However, it had been shown as Rs. 2,014,194 resulting in an understatement of the Arrears of Stamp Fees Account by Rs. 1,491,136.
- (f) The sum of Rs. 1,710,000 received during the year under review for the project for distribution of shoes for children of low income families had been brought to account as Revenue Aid. However, the related expenditure had not been brought to account as expenditure of the current year. As a result, the expenditure of the year and the creditors had been understated in the financial statements by Rs. 1,710,000.

- (g) The existence of goods valued at Rs. 20,625 confirmed at the Board of Survey for the year 2016 had not been shown in the financial statements.
- (h) Reimbursement of salaries amounting to Rs. 1,364,076 had been accounted in the Revenue Aid Account alone as pointed out in (c) of the audit report of 2014. In order to rectify this, the Revenue Receivable had been debited by Rs. 1,364, 076 and the Accumulated Fund had been credited by a similar amount in 2015. As a result, the balance of the Accumulated Fund Account been overstated by Rs. 1,364,076.

### **1.3.2 Lack of Evidence for Audit**

Transactions totalling Rs. 14,507,559 could not be satisfactorily vouched in audit due to non rendition of necessary information.

## **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 2016 amounted to Rs. 11,038,346 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 2,516,651. Accordingly, an improvement in financial results amounting to Rs. 8,521,695 was observed during the year under review as compared with the previous year.

Increase in revenue by Rs. 6,775,724 and the decrease in expenditure by Rs. 1,745,971 had mainly attributed to the improvement in financial result by Rs. 8,521,695.

### **2.3 Revenue Administration**

#### **2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue**

The information furnished for the year under review with regard to the estimated revenue, actual revenue the arrears of revenue for the year under review appear below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
Rates and taxes	2,819	2,530	640
Lease rent	2,599	2,467	132
Licence fees	154	154	-

### **2.2.2 Rates and Taxes**

- (a) Out of the outstanding balance of rates and taxes of Rs. 768,134 as at 01 January 2016, 55 per cent amounting to Rs. 424,204 had been recovered by 31 December 2016. A further, arrears of Rs. 343,930 was due from the outstanding amount of the previous year.
- (b) Out of the revenue from rates and taxes of Rs. 1,658,508 for the year under review, 83 per cent amounting to Rs. 1,375,829 had been recovered. Out of the amount billed for the current year, a sum of Rs. 282,679 remained outstanding as at end of the year under review.

### **2.2.3 Fees for Name Boards/ Publicity Notices**

A survey of publicity notices within the area of the Agalawatta Pradeshiya Sabha should have been conducted and fees recovered accordingly as required by the Gazette Notification No. 1944 of 04 December 2015. However, action had not been taken accordingly and the revenue deprived of, from 31 name boards/ publicity notices amounted to Rs. 149,439.

#### **2.2.4 Court Fines and Stamp Fees**

The amount receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016 appear below.

	<b>Rs.</b>
(i) Court fines	2,553,995
(ii) Stamp fees	2,014,194

### **3. Financial Review**

#### **3.1 Operating/ Management Inefficiencies**

##### **(a) Stock Control**

A shortage of 50 galvanized pipes had been reported during the board of survey carried out as at 31 December 2016. However, action had not been taken to replace the shortage even by 13 June 2017.

##### **(b) Control over Vehicles**

The JCB 3DX machine received from the Disaster Management Centre on 10 August 2010 had not been registered at the Department of Motor Traffic. As such, the revenue licence and the insurance certificate could not be obtained for the vehicle.

(c) The balance of the Nation Building Tax of Rs. 43,795 existing from 2010 had not been settled. Instead, it had been credited to the Accumulated Fund during the year under review.

**4. Systems and Controls**  
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Special attention of the Sabha is needed in respect of the following areas of control.

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