

Panadura Pradeshiya Sabha

Kalutara District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 24 March 2017 and the financial statements for the preceding year had been presented on 30 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects 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 capital expenditure of first programme of the year under review amounting to Rs. 2,125,359 had been shown as Rs. 2,116,369 in the financial statements resulting in an understatements of capital expenditure of the first programme by Rs. 8,990.
- (b) The purchases of library books for Rs. 300,000 during the year under review had been shown as recurrent expenditure instead of capital expenditure resulting in an overstatements of recurrent expenditure of the year under review by Rs. 300,000

and an understatement of capital expenditure of the year under review by Rs. 300,000.

- (c) Provisions for creditor had not been made for the sum of Rs. 2,285,419 payable for the year under review. As a result, the value of creditors and the expenditure of the year had been understated Rs. 2,285,419.
- (d) The expenditure of Rs. 365,670 incurred on publishing tender notices for lease of properties of the Sabha for the year 2017 had been shown as capital expenditure resulting in an understatement of recurrent expenditure by Rs. 365,670 and overstatement of capital expenditure by Rs. 365,670.
- (e) Three chairs purchased for Rs. 24,772 during the year under review had been capitalized as Rs. 247,720 resulting in an overstatement of Furniture and Equipmnt and Revenue Contributions to Capital Outlay Account by Rs. 222,948.
- (f) The capital aid of Rs. 17,031,760 for the year under review had been shown as Rs. 16,031,810resulting in an understatement of capital aid receipts by Rs. 999,950.
- (g) The value of stocks of the year under review had been understated by Rs. 80,533.
- (h) The fixed assets of Rs. 217,603 as at end of the year under review had been shown as stocks resulting in an overstatement of balance of stock of the year under review by Rs. 217,603.
- (i) Machines and Machinery valued at Rs. 874,520 and the Furniture and Equipment valued at Rs. 111,196 for the year under review had not been capitalized. As a result, the Machine and Machinery Account and the Furniture and Equipment Account had been understated by Rs. 874,520 and Rs. 111,196 respectively whilst

the Revenue Contributions to Capital Outlay Account had been understated by Rs. 985,716.

- (j) Investment in fixed deposits as at end of the year under review amounting to Rs. 90,627,828 had been shown as Rs. 90,576,828 resulting in an understatement of the value of investments as at 31 December 2016 by Rs. 51,000.

1.3.2 Lack of Evidence for Audit

Transactions aggregating Rs. 86,631,153 could not be satisfactorily vouched in audit due to non rendition of necessary information for audit.

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. 85,717,536 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 74,790,834. Accordingly, an improvement in financial results amounting to Rs. 10,926,702 was observed.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	29,184	16,544	23,100
Lease rent	3,068	2,540	3,672
Licence fees	404	404	-
Other revenue	6,274	5,509	765

2.2.2 Rates and Taxes

- (a) Out of arrears of Rs. 21,225,825 as at commencement of the year under review, a sum of Rs. 11,094,615 representing 52 per cent had been recovered during the year. A further balance of Rs. 12,543,658 of the previous year remained as arrears.
- (b) Out of the sum of Rs. 26,558,409 billed for the year under review, a sum of Rs. 14,014,751 representing 53 per cent had been recovered during the year. Out of the current bills, a balance of Rs.12,543,658 remained as arrears at end of the year under review.
- (c) The overall arrears of rates and taxes as at end of the year under review amounted to Rs. 22,674,868 and the progress in overall recovery was 53 per cent only. Accordingly, the collection of revenue of rates and taxes was not at a satisfactory level.
- (d) Sixteen per cent of the overall outstanding balances of 3,533 units of rates and taxes amounting to Rs. 3,714,126 related to balances of over 5 years and 21 per cent of the overall outstanding balances of 4,807 units amounting to Rs. 4,744,182 related to balances of over 3 years.

2.2.3 **Business and Industrial Tax**

Tax should be recovered at the commencement of the year from those persons and institutions who/which are subjected to pay work and trade tax. However, the outstanding balances of industrial and business taxes at end of the year under review amounted to Rs. 180,800 and Rs. 240,460 respectively. Action had not been taken to recover the amount concerned.

2.2.4 **Rent of Trade Stalls**

- (a) Out of the arrears of Rs. 4,548,997 at commencement of the year under review, a sum of Rs. 1,404,982 representing 31 per cent had been recovered during the year under review.
- (b) The rent billed for the trade stalls during the year under review amounted to Rs. 3,068,035 of which 82.8 per cent amounting to Rs. 2,540,420 had been recovered during the year.

2.2.5 **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.

	Rs.
(i) Court Fines	3,716,190
(ii) Stamp Fees	62,995,351

3. **Operating Review**

3.1 **Operating/ Management Inefficiencies**

(a) **Control Over Vehicles**

It was revealed that 06 out of 49 vehicles belonging to the Sabha were not in possession of the Sabha at present as per verification of vehicles carried out by the Sabha.

- (b) The deposits recovered for damages caused to the roads of the Sabha due to various activities should be utilized to renovate those roads. However, the deposits of Rs. 2,109,238 received for such damages during 2016 had not been used to renovate any road.
- (c) The Sabha had not framed Bye-Laws so as to legalize recovery of parking charges from many three wheeler parks within the authoritative area of the Sabha.
- (d) None of the hotels, except 2 hotels within the authoritative area of the Sabha had furnished their final accounts. The one per cent tax recovered had been based on the revenue estimates furnished and as such the exact amount recoverable as tax had not been obtained. Further, the Sabha had not adopted proper procedures to confirm the number of hotel registered at the Tourist Board. As such, there was no certainty to confirm that the tax due from all those institutions had been recovered.

3.2 Solid Waste Material Management

- (a) Tenders had been called for, to dispose garbage during 2016 and the technical evaluation committee had recommended to award the tender to the lowest tenderer who had quoted Rs. 16,800 per tipper load. However, the tender had been awarded to the GFC machineries firm which had quoted Rs. 21,000 per tipper load. The loss caused to the Sabha by awarding the tender to them amounted to Rs. 1,780,800.
- (b) Procedures had not been adopted by the Pradeshiya Sabha for garbage management and as such a sum of Rs. 10,332,000 had been paid to a private firm for disposal of garbage during June 2015 to December 2016.

4. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (b) Control over Vehicles
- (c) Solid Waste Material Management
- (d) Budgetary Control