

Seethawaka Pradeshiya Sabha

Colombo District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 22 March 2017 and the financial statements for the preceding year had been presented on 27 March 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 17 August 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 of the Seethawaka Pradeshiya Sabha 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 accounting deficiencies were observed in audit.

- (a) Two hundred and fifty bags of compost valued at Rs.900,000 had not been brought to account.
- (b) The capital expenditure had been overstated by Rs.390,700 as a result of accounting the fixed assets valued at Rs.18,552,063 as Rs.18,942,763 in the Capital Expenditure Account.
- (c) Overprovision of court fines by Rs.10,647,063 had been made in 2014. In spite of this, adjustments had been made so as to make the court fines receivable for 2014 as Rs.16,000,000. As a result, the court fines account had been overvalued by Rs.5,352,957.
- (d) Adjustments had been made in the Accumulated Fund while deleting the arrears of value added tax of Rs.63,123 from the accounts resulting in an understatement of the Accumulated Fund Account by Rs.63,123.
- (e) The sum of Rs.986,296 earned by the galie bowser at the Hanwella sub office in 2016 had not been brought to account as revenue of the year,

- (f) The sum of Rs.120,868 to be remitted to the Department of Inland Revenue had been credited to the Deposit Account. As a result, the Tax Payable Account had been understated by Rs.120,868 and the General Deposit Account had been overstated by a similar amount.
- (g) The Nation Building Tax payable to the Department of Inland Revenue for the year 2016 had been understated by Rs.64,546.
- (h) The balance of the General Stores Account had been understated by Rs.490,189 as at end of 2016.
- (i) The tax collected by the Council during 2009 to 2011 amounting to Rs.185,251 had not been remitted to the Department of Inland Revenue.
- (j) The value added tax of Rs.565,545 payable to the Department of Inland Revenue for the Month of December 2016 had been credited in the Miscellaneous Deposit Account as Rs.4,015,003 resulting in an overstatement of the Miscellaneous Deposit Account by Rs.3,449,458.

1.3.2 **Unreconciled Control Accounts**

The difference observed between the balance of the final accounts and the balance of the subsidiary register pertaining to 2 items of accounts amounted to Rs.7,849,089.

1.3.3 **Lack of Evidence for Audit**

Transactions aggregating Rs.6,113,839 could not be satisfactorily vouched in audit due to non rendition of necessary information to audit.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha the year ended 31 December 2016 amounted to Rs.18,247,988 as compared with the excess revenue over recurrent expenditure of the preceding year amounting to Rs.33,896,818.

2.2 **Revenue Administration**

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

The information relating to the arrears of revenue for the year under review and the previous year, as furnished by the Sabha appear below.

Revenue Item	2016				2015			
	Arreas of Balance as at 01 January 2016	Billing	Actual recoveries	Accumulated arrears as at 31 December 2016	Arreas of Balance as at 01 January 2015	Billing	Actual recoveries	Accumulated arrears as at 31 December 2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	5,891,802	19,130,653	17,099,198	7,923,257	6,533,272	10,239,591	10,881,061	5,891,802
Licence Fees	-	1,663,045	1,663,045	-	-	1,483,777	1,483,777	-
Lease rent of stalls	955,464	4,135,012	4,135,012	440,820	548,632	4,496,449	4,089,617	955,464
Industrial And Trade Tax	-	2,629,070	2,629,070	-	-	2,212,330	2,212,330	-
Meat Stalls	311,817	6,261,468	6,262,710	310,575	319,375	8,859,850	8,867,407	311,817

2.2.2 Rates and Taxes

The arrears of rates and taxes as at end Of the year under review amounted to Rs.7,923,257 of which Rs.1,931,825 belonged to the arrears of revenue of the previous year.

2.2.3 Rent of Trade Stalls

A state of risk prevailed with regard to the recovery of arrears of rent Rs.50,297 from the trade stall remaining closed at Hanwella as at 31 December 2016 amounted to Rs.873,570.

2.2.4 Rent of Beef stall

Arrears of rent amounting to Rs.126,379 had been recovered out of the arrears of 2015 and years prior to it during the current year and this represented 41 per cent of the total arrears. The Sabha had not taken adequate action to recover 59 per cent of the arrears of rent of the previous year amounting to Rs.185,438.

3. Operating Review

3.1 Managemnt Inefficiencies

The following matters are observed.

(a) Acquisition of Padukka Week-end Fair by the Urban Development Authority

The Urban Development Authority which acquired the Padukka week-end fair for development on 24 May 2014 continued to collect the revenue without handing over it to the Sabha. However, the Sabha had spent Rs.3,354,452 during the current year to clean the week-end fair. This amount had not been reimbursed by the Urban Development Authority.

(b) Payment of Commission to Distraining Officers

According to the fourth decision of the Administrative Structural and Tender Committee Report of 26 March 2014, the money collected by distraining officers should be daily deposited at the office and it had been decided that commission should not be paid if there are delays. However, a sum of Rs.14,429 had been paid for the first 5 months of 2016 contravening the said decision.

3.2 Idle / Under utilized Assets

The Suduwella crematorium constructed by spending Rs.13,710,140 in 2015 by utilizing the provision made by the Ministry of Economic Development had not been opened even by end of the year under review.

3.3 Contract Administration

Thirty one industries with an estimated cost of Rs.23,619,453 had not been constructed as at 31 December 2016.

3.4 Garbage Management

The amount spent on expenditure of employees and maintenance of vehicles on behalf of the garbage management during 2016 amounted to Rs.3,374,830. Meanwhile, the revenue from sale of compost and the sale of undecayable garbage amounted to Rs.595,984.

4. Good Governance and Accountability

4.1 Budgetary Control

Significant variances were observed between the budgeted and actual revenue and expenditure showing that the budget had not been utilized as an efficient instrument of management control.

5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Internal Audit