

Tangalla Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 24 June 2015 while Financial Statements relating to the preceding year had been submitted on 10 July 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 2 September 2015.

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 Tangalla Pradeshiya Sabha as at 31 December 2014 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.) Although the value transferred from the Capital Grants Account to the Revenue and Expenditure Account in the Ledger at the end of the year was Rs. 23,947,997, the correct amount to be transferred was Rs.63, 756,498. Accordingly, the amount transferred to the Revenue and Expenditure Account had been understated in a sum of Rs. 39,808,501.
- (b.) While the opening balance of the Capital Grants Account had been Rs. 35,462,645, only a sum of Rs. 33,953,335 had been received relevant to that opening balance during the year. However, it had been recorded as Rs.39,842,982, causing an understatement of the balance of the account in sum of Rs.5,889,647.

- (c.) Although a sum of Rs. 46,669,969 had been provided as Capital Grants Creditors of the year under review in the accounts, according to the Register of Works maintained by the Sabha amount to be provided was Rs.48,425,783. Accordingly, Creditors had been understated in a sum of Rs. 1,755,814 in accounting.
- (d.) Fixed Deposits Interest relevant to the year under review had been understated in a sum of Rs. 491,303 in the accounts.
- (e.) A Stock of Stationery and Electrical Equipment valued at Rs. 564,282 had been omitted in the financial statements.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2014 amounted to Rs.30,067,942 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 334,912.

2.2 Revenue Administration

Following observations are made.

2.2.1 Performance in collection of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	4,450	4,546	127
(ii.) Lease Rent	5,840	5,265	1,391
(iii.) Licence Fees	644	1,834	33
(iv.) Other Revenue	29,743	64,308	28,862

2.2.2 Lease Rent

- (a.) While a sum of Rs. 703,402 was in arrears as Stalls Rent as at the end of the year under review, action in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover this revenue.

- (b.) Steps had not been taken to recover the newly revised fees in respect of 29 stalls in Yayawaththa based on the valuations done on 10 April 2010 by the Valuation Department. It was observed that a revenue amounting to Rs. 268,800 had been lost to the Sabha in respect of 25 stalls as at 31 March 2014 due to that.

- (c.) Although it has been stated that the Lease Rent should be revised through a new assessment at least once in five years in terms of paragraph 06 of the Circular No. SLG/CLG/2010/1 effective from 01 November 2011, Lease Rent decided according to valuation reports of the year 2007 had been recovered up to July 2015.

2.2.3 Fair Levy

While Fair Levy amounting to Rs. 2,853,656 was in arrears as at the end of the year under review, action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover that revenue.

2.2.4 License Fees

While License Fees amounting to Rs. 32,860 was in arrears as at the end of the year under review, action in terms of Section 152(4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover those License Fees.

2.2.5 Acreage Tax

While Acreage Tax amounting to Rs. 127,075 was in arrears as at the end of the year under review, action in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover those amounts in arrears.

2.2.6 Vehicle Rentals

Although a sum of Rs. 165,945 was outstanding to be recovered for providing the Motor Grader Machine and the J.C.B. Machine belong to the Sabha on rental basis, action had not been taken to recover those amounts in arrears

2.2.7 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs. 28,155,320 were outstanding to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31December 2013.

3. Operating Review

3.1 Management Inefficiencies

- (a.) Although 10 Canopy Booths valued at Rs. 270,000 had been provided to the Sabha from the Ministry of Local Government and Provincial Councils, it was revealed at the inspection carried out on 4 March 2015 that those 10 booths were not physically available.
- (b.) While 03 Covering Sheds (Parabola Huts) valued at Rs. 690,000 had been purchased by the Sabha during the month of November 2013, these 03 Covering Sheds had not been used from the date of purchase to the end of the year under review.
- (c.) Five Advertisement Board Frames of 20 x 10 feet and three Advertisement Board Frames of 12 x 08 feet had been purchase on 19 March 2013 having spent a sum of Rs. 459,270 from the Sabha Fund. It was observed at the inspection carried out on 4 March 2015, that those Advertisement Boards had not been fixed in the area of authority of the Sabah and that those were not physically available in the Council Premises.

3.2 Improper Transactions

A retired officer had been recruited on contract basis without approval of the Commissioner of Local Government in terms of Section 19 (1) (i) of the Pradeshiya Sabha Act No. 15 of 1987 and without a letter of appointment. A sum of Rs. 75,000 had been paid to him at the rate of Rs. 15,000 per month from August to December 2014 out of the Sabha Fund.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate internal audit had not been done in the Sabha.

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.) Assets Management