

KalutaraPradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 12 July, 2016 while the Financial Statements relating to the preceding year had been submitted on 26 March ,2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 29 July, 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 Kalutara Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows 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 matters are observed.

- (a). Although the capital expenditure in the year under review was Rs.44, 800,948 the same had been mentioned as Rs.44, 633,154 in the Financial Statements thus understating the capital expenditure by Rs.167, 794.
- (b). Interest revenue amounting to Rs.42, 133 pertaining to the year under review had not been accounted for as revenue in the year and instead, the same had been shown under previously derived revenue.
- (c). Although the total value of members' allowance, property loan interest, salaries and street lamp maintenance grants receivable as at the end of the year under review was Rs.16,881,296 the same had been shown as Rs.16,198,892 in the financial statements ,and as a result revenue in arrears had been understated by Rs.682,404.
- (e). Although revenue of Rs.7, 185 had been received from the sale of capital assets during the year under review the same had not been taken to the Revenue and Expenditure account.
- (f). Even though the interest with regard to the Local Loans and Development Fund relevant to the year under review was Rs.428,648 the same had been shown as Rs.417,554 ,and as a result the interest pertaining to the year under review had been understated by a sum of Rs.11,094.

1.3.2. Non- reconciled Control Accounts

- (a). According to the Votes Ledger the amount spent for the purchase of library books was Rs.125, 000, but according to the schedules the same had been mentioned as Rs.164, 458.
- (b). According to the financial statements the balance on 04 items of accounts was Rs.26,519,510 whereas according to the schedules the balance was Rs.22,269, 639. Accordingly, overstatement in a sum of Rs.4, 249,871 was observed.

2. Financial Review

2.1. Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.28,476,359 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.22,971,769.

2.2. Revenue Administration

2.2.1. Arrears of Revenue

Revenue in arrears totaling Rs.5, 741,430 as at the end of the year had not been recovered in terms of the provisions in Section 158 and 159 of Pradeshiya Sabha Act No.15 of 1987.

2.2.2 Rates

- (I). Revenue of rates billed during the year under review was Rs.8, 619, 459, but a sum of Rs.6,016,951 or 70 per cent had only been recovered out of which during the year under review.
- (II). There were arrears of Rs.5,668,985 as at the beginning of the year, but only a sum of Rs.2,653,720 or 47 per cent had been recovered during the year under review.

2.2.3 Three Wheeler Parking Charges

The Sabha had not taken action to recover three wheeler parking charges amounting to Rs.240,015 relevant to the year 2015 even up to 31 December, 2015.

2.2.4. Tax on Land Sales

Although the Sabha shall obtain one per cent from the proceeds of the land sold by public auction or otherwise within the limits of Pradeshiya Sabha in terms of Section 154 (1) of Pradeshiya Sabha Act No.15 of 1987 the Revenue Officer of the Sabha, without doing so, had obtained a tax

equivalent to one per cent as per the gross estimate prepared by him. Accordingly, action had not been taken to obtain the balance by adjusting the difference between the gross estimate and the market sale value.

2.2.5. Noticeboard Fees

Action had not been taken by the Sabha to recover a sum of Rs.77, 665 in connection with 34 advertising / name boards for which fees to be charged according to the Notification published in the Gazette of the Republic of Sri Lanka No.1893 of 12th December, 2014.

2.2.6 Court Fines and Stamp Fees

A sum of Rs.111, 972,112 was receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December in the year under review as follows.

	Rs.
Court Fines	52,809,684
Stamp Fees	59,162,428

3. Operational Review

3.1. Operational Inefficiencies

- (a). Action had not been taken to recover the loan balance of Rs.386, 755 due from 11 officers who had vacated their posts, left on transfers and retired, even up to 31 December, 2015.
- (b). Even though, in terms of F.R.369 (d) of the Financial Regulations of Republic of Sri Lanka, 05 cheques totaling Rs.366,008 remained uncashed for more than 06 months from the date of issue had not been banked even up to 30 May, 2016 action had not been taken in that regard as per the relevant Financial Regulations.

3.2. Improper Transactions

If the expenses incurred by the Sabha in respect of any religious, charitable, cultural, health, recreational or educational purposes exceed the aggregate of Rupees One Thousand (Rs.1000) in any year prior approval of the Minister shall be obtained in that regard in terms of Section 132 (j) of Pradeshiya Sabha Act No.15 of 1987. However, without taking such approval, a sum of Rs.97,000 had been paid for the All Island Dhamma School Students Skill Evaluation Programme during the year under review.

3.3. Contract Administration

Although according to the Public Finance Circular No. 1/2012 dated 05 January 2012, when assigning direct contracts to community based societies, those societies should not engage in more than 3 contracts, contrary to that, contracts numbering 4 to 7 had been done by 02 particular societies during a same period.

4. Systems and Controls

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

- (a).Accounting
- (b).Budgetary Control
- (c).Revenue Administration
- (e).Contract Administration