

Madurawala Pradeshiya 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 31 March 2016 while Financial Statements relating to the preceding year had been submitted on March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 29 July 2016.

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 Madurawala Pradeshiya Sabha as at 31 December 2015 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

Following deficiencies are observed.

- (a) Although the expenditure incurred under capital expenditure during the year under review relevant to the cab vehicle provided by the Western Provincial Council during the year 2013 should be considered as a contribution from revenue and be capitalized, such action had not been done. Due to that; Motor Vehicles Account and Contribution from Revenue to Capital Outlay Account had been understated to in a sum of Rs. 1,059,409 as at the end of the year under review.
- (b) Although a sum of Rs.389,863 should be debited to the Accumulated Fund in order to rectify matters referred to in paragraph 2.2.1 (c) in the Audit Report for the preceding year, expenditure account of the year under review had been debited through the Journal Entry 29. Due to that; surplus for the year had been understated to that extent.
- (c) Although the Accumulated Fund should be credited having debited the Stamp Fees in Arrears Account in order to adjust the under billing Stamp Fees revenue during the preceding year, Other Revenue Account had been credited. Due to that; revenue for the year under review had been overstated in a sum of Rs. 1,562,282.
- (d) Although Accumulated Fund should be credited having debited the Works Creditors Account in order to adjust over provision of Work Creditors in a sum of Rs. 24,850, Repairs and Maintenance of Capital Assets Account had been credited. Due to that; expenditure for the year under review had been understated in a sum of Rs. 24,850.

- (e) Although Accumulated Fund should be credited having debited the General Creditors Account in order to adjust over provision of General Creditors in a sum of Rs. 167,903 during the preceding year, expenditure accounts had been credited. Due to that; expenditure for the year under review had been understated in a sum of Rs. 167,093
- (f) Although Works Debtors account should be credited having debited the Accumulated Fund in order to adjust over provision of Debtors in a sum of Rs. 14,034 for the construction of Udaperattuwa Road under “ From Door to Door From Village to Village Program” during the preceding year, Capital Grants Account had been debited. Due to that; Capital Grants for the current year had been understated to that extent in the financial statements.
- (g) Although Capital Grants totaling Rs. 246,134 received during the year under review relevant to the years 2008, 2012, and 2014 should be credited to the Debtors Account, it had been credited to Capital Grants Account. Due to that; Capital Grants for the year under review and closing balance of Work Debtors had been overstated to the extent of that value in the financial statements.
- (h) Although a provision of Rs 996,338 should be made for construction of Batawala Road (Rae to the Youths’ Village) under te Backward Isolated Villages Program of the current year, such provision had not been made. Due to that; Debtors and Capital Grants for the year under review had been understated to that extent in the accounts.
- (i) Two Walls Electrical Fans valued at Rs. 17,400 purchased during the year under review had not been capitalized. Due to that; Fixed Assets and Contribution from Revenue to Capital Outlay Account had been understated to extent of that value.
- (j) Although the receipt of Rates in Advance was Rs. 18,468, it had been shown as Rs. 6,039 in the financial statements. Due to that; Receipts in Advance had been understated in a sum of Rs. 12,429.

1.3.2 Non-compliance with Laws, Rules, Regulation etc

- (a) Although an advance granted for a particular work should be settled immediately after completion of that work in terms of Financial Regulation 371(a), advances amounting to Rs. 36,817 granted relevant to the y ears 2012 and 2015 had not been settled even as at 10 June 2016.
- (b) A Fixed Assets Register had not been maintained with regard to Computer Accessories and Software in terms of Treasury Circular No. IAI/2002/02 dated 28 November 2002.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2015 had been Rs.84,825 as against the excess of revenue over recurrent expenditure amounted to Rs. 1,804,723 in the preceding year.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue totaling Rs. 730,998 at the end of the year under review had not been recovered in terms of provisions in Sections 158 and 159 in the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Business Tax

- (a) Information in reports relevant to 22 businesses surveyed had not been recorded in the Business Tax Register.
- (b) Although money had been paid by 68 Business Owners during the year 2015, survey reports relevant to 13 tax payers were made available. Survey Reports were not made available with regard to the balance 55 tax payers.

2.2.3 Industrial Tax

- (a) Information in reports relevant to 8 tax payers identified after survey had not been recorded in the Industrial Tax Register.
- (b) Out of 38 tax payers recorded in the Industrial Tax Register, survey reports relevant 28 tax payers were not made available.

2.2.4 Rates

Although Rates belong to Madurawala Head Office amounting to Rs. 473,303, as well as Rates belong to Warakagoda Sub-office amounting to Rs. 232,411 and amounts due to from 35 properties exceeding Rs. 2,000 totaling Rs. 156,806 were outstanding to be recovered, action had not been taken for recovery up to 31 December 2015.

2.2.5 Charges for Advertisements Boards

- (a) Charges to be recovered amounting to Rs. 186,585 for Advertisements Boards fixed in the area of authority of Sabha for the year 2015 had not been recovered even as at 15 October 2015.
- (b) Notifications with regard to recovery of Advertisements Boards Charges due had not been made after the year 2012, due to non-payment of Advertisements Boards Charges within the specified period.

2.2.6 Court Fines and Stamp Fees

A sum of Rs. 10,023,814 was due to be received from the Chief Secretary to the Provincial Council and other authorities as shown below.

	Rs.
Court Fines	4,323,495
Stamp Fees	5,700,319

3. Operational Review

3.1 Operational Inefficiencies

- (a) A sum of Rs. 241,403 was outstanding to be recovered as at 31 December 2015, on account of Distress Loans, Special Advances and Festival Advances from 05 officers who had retired, left on transfers and vacated service.
- (b) According to the Board of Survey Report for the year 2014, action had not been taken even as at 31 December 2015, to get back 167 library books lent out from the libraries.

3.2 Improper Transactions

Although prior approval of the Minister should be obtained in terms of Section 132 (j) of the Pradeshiya Sabha Act No. 15 of 1987, in the event of incurring total expenditure exceeding Rs. 1,000 per annum on account of any religious, charitable, cultural, health entertainment or educational function expenditure amounting to Rs. 56,700 had been incurred by the Sabha without obtaining such approval.

4. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Staff Loans Control
- (d) Budgetary Control