

Palindanuwara 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 08 April, 2016 while the Financial Statements relating to the preceding year had been submitted on 25 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 14 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 Palindanuwara 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 observations are made.

- (a). Although, in entering the revenue of stamp fees amounting to Rs.1,45,033 which had billed less in amount in the years 2013 and 2014, the account of stamp fees in arrears should have been debited and the accumulated fund be credited the same had been credited to the revenue in the year under review.
- (b). Non-investment employees' securities amounting to Rs.35, 554 had been accounted for as employees' securities investments as well as employees' securities.
- (c). Although in re-accounting a sum of Rs.39,000 omitted from Motor Vehicles and Carts Account in the preceding year, the Motor Vehicles and Carts account should have been debited and the accumulated fund be credited, the Suspense Account had been credited having debited the Motor Vehicles and Carts Account.
- (d). The value of drugs stock as at the end of the year was Rs.258, 912, but the same had been mentioned as a sum of Rs.410, 264 in the Balance Sheet thus overstating the value of drugs stock by Rs.151, 352. Although the cost of drugs pertaining to the year was Rs.410, 264 the same had been mentioned as Rs.258, 912 in the Revenue and Expenditure Account thus understating the cost by a sum of Rs.151, 352.
- (e). Even though Salary Reimbursement amount of Rs.1,059,409 recovered pertaining to the year 2015 for the cab received from the Ministry of Provincial Council and Local

Government should have been debited to Capital Expenditure account and credited to the Revenue Grants Account the same had not been done accordingly.

- (f). Industrial debtors' amount of Rs.1, 440,033 and industrial creditors' amount of Rs.1,440,033 had been understated in accounts in the year under review while the receipts and payments on capital grants had also been understated from the same value in the Revenue and Expenditure Account.

1.3.2. Suspense Account

As the debit balance of Rs.206, 109 on Suspense Account as at the beginning of the year under review had not been corrected during the year there was debit balance of Rs.168, 294 on the Suspense Account as at the end of the year.

Even though according to the main ledger there was debit balance of 185,283 on Suspense Account as at 31 December, 2015 the same had been taken to the financial statements as Rs.168,294 thus understating the debit balance on Suspense Account by Rs.16,989 in the financial statements.

1.3.3 Lack of Evidence for Audit

Three items of accounts aggregating a sum of Rs.14, 120,687 could not be satisfactorily vouched in Audit due to the non-availability of detailed schedules.

1.3.4 Accounts Receivable and Payable

Even though accounts had been prepared based on the balance receivable amounting to Rs.6,166,759 Which had been distributed in establishing as separate units by separating as Palindanuwara Pradeshiya Sabha and Agalawatte Pradeshiya Sabha and on the balance payable amounting to Rs.6,862,872 steps had not been taken to settle those balances even by the date of audit of 10 May 2016.

1.3.5 Non Compliance with Laws, Rules and Regulations .etc.

- (a). As per the procedure of issuing environmental licences as indicated in the Guidelines on vesting powers in the Local Government Authorities by the Central Environmental Authority and putting the powers into effect published in the Gazette Notification No.1533/16 of 25 January, 2008, two industries located near the Bellana Post Office and at Hadigalla Rd Badureliya had been run without taking environmental licences.
- (b). Action had not been taken with regard to the deposits of Rs.516, 648 which had been lapsed over 02 years in terms of the Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka.

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.1,737,061 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,051,193.

2.2 Revenue Control

2.2.1 Revenue in arrears

Revenue in arrears aggregating a sum of Rs.1, 153,036 as at the end of the year under review had not been recovered as per the provisions in Section 158 and 59 of Pradeshiya Sabha Act No.15 of 1987.

2.2.2 Rates

- (a). Action had not been taken to recover the balance of rates in arrears amounting Rs.241,919 brought forward from 2014 and previous years thereto, even up to 31 December,2015.
- (b). A sum of Rs.1, 018,436 had been billed for the year under review but only a sum of Rs, 648,279 had been recovered out of it. Accordingly, action had not been taken to recover the remaining balance of Rs.370, 157 even up to 31 December, 2015.

2.2.3 Industrial Taxes

Although taxes had been collected from 142 taxpayers during the year under review survey reports of 6 taxpayers were only available in that regard.

2.2.4. Business Tax

- (a). Out of the business tax of Rs.808, 250 billed during the year under review a sum of Rs.52, 000 was in arrears.
- (b). Details of survey reports pertaining to 12 businesses had not been recorded in the business tax register.

2.2.5 Other Revenue

No any procurement application had been put forward on two instances of procurements submitted for the right of collecting fair taxes for the year 2105 and therefore on the instruction of the Chairman the task of tax collection had been entrusted to the Revenue Inspector. Although revenue of Rs.487, 510 had been collected within the first three months the right of collection of taxes had been entrusted to the Revenue Inspector to give a sum of Rs.161, 111 as taxes per month as from April 2015. According to the agreement, even though the tenderer should have paid a three month security deposit of Rs.483, 333 it was observed that security had been placed only for a month. As per the agreement a sum of Rs.9, 861 should have been charged as a penalty due to the non-settlement of payments as at 25 of the relevant month the same had not been recovered accordingly. Also, no approval had been taken for this process.

2.2.6 Court Fines and Stamp Fees

A sum of Rs.8, 465,734 was receivable from the Chief Secretary of the Provincial Council and the other authorities as at 31 December in the year under review as follows.

| | Rs. |
|-------------|-----------|
| Court fines | 5,465,734 |
| Stamp Fees | 3,000,000 |

2.2.7 Noticeboard Fees

Although survey reports on noticeboards should have been presented by conducting noticeboard surveys in the area annually by the Sabha for collecting notice board fees no such survey reports on notice boards had been presented for the year 2015.

2.2.8 Leasing out fish stalls

- (a). Non adherence to the agreements in leasing out fish stalls were revealed
- (b). At the time of delay in installments penalties had not been charged as per the agreement.
- (c). Taxes had not been collected on the due days

3. Operational Review

3.1. Operational Inefficiencies

A sum of Rs.13, 909,971 had been written off from the Industrial Debtors' Account during the year under review without the approval of the Sabha.

4. Systems and controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration