

Kalawana Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 27 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 18 July 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kalawana Pradeshiya Sabha as at 31 December 2017 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 were observed.

- (a) The cost of the assets which recommended to destroy in the Boards of Survey Report of the year 2017 had been adjusted in the financial statements of the year under review. As such the fixed assets had been understated by Rs.26,595.
- (b) Even though, the balance of the acreage tax recoverable as at the end of the year under review amounted to Rs.148,143, that had been brought to account as Rs.465,437. As such the current assets had been overstated by Rs.317,294.
- (c) Even though, the salary reimbursements recoverable as at 31 December 2017 amounted to Rs.1,626,422, that was brought to account as Rs.1,689,712. As such the current assets had been overstated by Rs.63,290.
- (d) Even though, the actual court fines revenue relating to the year under review amounted to Rs.863,875 that was brought to account as Rs.512,283 and as such the operating revenue had been understated by Rs.351,592.
- (e) The stamp duty should have been remitted to the Commissioner of Inland Revenue as at 31 December 2017 amounted to Rs.8,995 but it had been brought to account as Rs.44,807 and as such it was overstated by Rs.35,812.
- (f) The industrial debtors recoverable as at 31 December 2017 amounted to Rs.17,764,974 but it was brought to account as Rs.5,438,373 and as such the debtors had been understated by Rs.12,326,601.
- (g) The assets purchased during the year under review totalling Rs.56,428 had not been capitalized.

- (h) Even though, the recoverable lease rent from meat/ fish trade stalls of weekly fair amounted to Rs.875,836, that value had been shown as Rs.5,068,391 in the financial statements. As such the debtors had been overstated by Rs.4,192,555.
- (i) Even though, the unsettled advances as at the end of the year under review amounted to Rs.17,230, that value was shown as Rs.2,949,963 and as such the unsettled advances had been overstated by Rs.2,932,733.
- (j) Even though, the sundry creditors as at the end of the year under review amounted to Rs.21,743,052, that was shown as Rs.27,241,260 and as such the creditors had been overstated by Rs.5,498,208.

1.3.2 Unreconciled Accounts

A difference of Rs.1,480,649 was shown between the balances of 03 items of accounts as per financial statements as at end of the year under review and the balances appearing in the subsidiary registers.

1.3.3 Lack of Evidence for Audit

Six items accounts totalling Rs.30,347,288 could not be satisfactory verified in audit due to non-submission of required evidence for audit.

1.3.4 Non-compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act No.15 of 1987		
(i) Section 149		- A fee of 01 per cent of the revenue of 02 registered hotels maintained within the authoritative area of the sabha had not been recovered for a period from the year of registration up to the year 2017.
(ii) Section 162		- Even though, 189 red notices had been issued during the year under review to recover arrears of rates of the Sabha, further actions had

not been taken thereon adequately.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulation 396 32,846 Action had not been taken on 04 cheques not presented for payments which exceeded 06 months from the date of issue.

(ii) Financial Regulation 571 5,400,159 Action had not been taken on tender deposits, retention money of the contracts and miscellaneous deposits relating to the period from the year 2007 to 2015.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.6,041,023 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,776,084.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	3,927,856	3,043,821	3,194,633	3,903,524	7,530,470	6,199,746	2,272,424	4,205,148
Lease Rent	6,317,300	4,016,018	4,067,850	5,082,076	4,368,460	328,490	2,927,425	5,133,908
Licence Fees	3,372,051	542,185	471,185	-	1,206,747	329,975	329,975	-
Other Revenue	9,218,437	8,583,336	1,510,087	16,536,420	10,227,575	9,438,712	10,122,612	4,501,284

2.2.2 Performance in Collection of Revenue

In comparison of the estimated revenue with the revenue collected for the year under review, the revenue collected with regard to the items of revenue such as rates and taxes, lease rent, license fees, service charges and warrant charges and fines other revenue and contribution of the Government had decreased by 19 per cent, 36 per cent, 86 per cent, 24 per cent, 73 per cent, 95 per cent and 43 per cent respectively.

2.2.3 Rates and Taxes

(a) Rates

The arrears of rates and taxes as at 31 December 2017 amounted to Rs.2,137,500 and it included 69 units of rates and taxes remained brought forward for over a period of 05 years amounting to Rs.548,526. The actions of the Sabha on recovery of arrears had been at a weak level.

(b) Acreage Tax

The balance of recoverable acreage tax by 31 December 2017 amounted to Rs.2,137,500 and it included 169 units totalling Rs.131,464 remained brought forward for over a period of 05 years. The Sabha had not taken actions adequately for recovery of those arrears.

2.2.4 Lease Rent

The following matters were observed.

- (a) Arrears of tax and fines recoverable relating to a period of 03 months of the year 2016 totalling Rs.408,400 for the Kalawana Saturday Fair belonging to the Sabha had not been recovered even by May 2018.
- (b) Arrears of tax and fines recoverable for the 03 months of the year 2014 for the fish board of Kalawana, Vaddagala Road belonging to the Sabha totalling Rs.169,576 had not been recovered even by May 2018.
- (c) The Sabha had failed to recover the arrears of tax and fines recoverable for 08 months of the year 2014 for the beef stall No.15 of public market belonging to the Sabha amounting to Rs.495,339 even by May 2018.

2.2.5 Licence Fees

The following matters were observed.

- (a) Eight businesses of which should be obtained the environment protection licences in terms of National Environmental Act No.47 of 1980 as amended by the Acts No.56 of 1988 and No.53 of 2000, and the regulations imposed there to had not been obtained that licences. As such a revenue of Rs.35,200 had been deprived by the Sabha while an evaluation had not been carried out relating to the environmental effect could have been occurred in maintaining those businesses.

- (b) A proper arrangement had not been implemented by the Sabha to identify the institutions which should be obtained environmental protection licences situated within the authoritative area of the Sabha while the registers had not been maintained as able to identify easily the institutions which should renew the licences. Accordingly, it was observed that the responsibility of the Sabha in respect of the environmental protection of the authoritative area of the Sabha had not been executed properly.

2.2.6 Stamp Fees

The revenue of arrears of stamp fees recoverable for the period from January 2015 to December 2017 had not been identified and recovered.

3. Operating Review

3.1 Sustainable Development Goals

As the Sabha had not aware of the 2030 Agenda relating to the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

3.2 Management Inefficiencies

The balance of the dishonored cheques account amounting to Rs.47,340 remained brought forward since prior to the year 2012 had not been settled even by the end of the year under review.

3.3 Human Resources Management

Staff Loans

According to the Staff Loans Register, the balance of the outstanding loans due to station transfers and vacation of posts totalled Rs.32,352 whereas the follow-up action on those outstanding loan balances had remained at a weak position.

3.4 Procurements

Procurement Plan

A Procurement Plan for the year under review had not been prepared by the Sabha.

4. Accountability and Good Governance

Audit and Management Committees

Action had not been taken to establish and to implement the Audit and Management Committees.

5. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of controls.

System	Deficiency
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(a) Accounting	(i) Failure to identify the expenditure. (ii) Understatement of revenue. (iii) Non-reconciliation of ledger accounts and subsidiary registers. (iv) Non-reconciliation of votes ledger and financial statements.
(b) Revenue Administration	Non-recovery of due revenue.