

**Balapitiya Pradeshiya Sabha**  
**Galle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 27 March 2014 while Financial Statements relating to the preceding year had been submitted on 27 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman on 22 December 2014.

**1.2 Opinion**

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Balapitiya Pradeshiya Sabha as at 31 December 2013 and its financial performance and Cash Flow for the year then ended in accordance with generally accepted accounting principles.

**1.3 Comments on Financial Statements**

**1.3.1 Non-compliance with Public Sector Accounting Standards**

Although Local Authorities should prepare the financial statements according to the Sri Lanka Public Sector Accounting Practices with effect from 01 January 2011, in terms of circular No. PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.

**1.3.2 Accounting Policies**

Accounting Policies followed by the Sabha had not been disclosed together with the financial statements.

**1.3.3 Accounting Deficiencies**

Following observations are made.

- (a.) In financial statements Rates Revenue for the year under review had been overstated in a sum of Rs.286,274 while Warrant Charges and Fines Revenue had been understated in a sum of Rs.286,274.
- (b.) A sum of Rs. 26,818,793 received from the Local government Department as reimbursement of salaries for the year under review had been shown under one Programme without being apportioned among all the Programmes.
- (c.) Provision had not been made in the financial statements for Pension Contributions Payable on behalf of the Retired Local Government Employees amounting to Rs. 7,337,002 as at 31 December of the year under review.

- (d.) The Tractor valued at Rs. 1,463,200 had been accounted under Machinery and Equipment.

#### **1.3.4 Non-reconciled Control Accounts**

A difference of Rs. 4,664,615 was observed between the balances relevant to 05 Items of accounts according to Control accounts and the balances according to according to Subsidiary Registers.

#### **1.3.5 Lack of Evidence for Audit**

Evidences such as up dated Registers of Debtors and Creditors, Confirmations of Balances, Age Analysis the balanced Register of Deposits connected with transactions totalling Rs.37,600,413 shown in the financial statements were not furnished to audit.

### **2. Financial and Operating 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 2013 amounted to Rs. 22,932,475 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 16,909,912.

#### **2.2 Revenue Administration**

##### **2.2.1 Rates**

While the balance of Rates in arrears as at 31 December 2013 was Rs. 13,589,347, action in terms of Sections 155 and 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken by the Sabha to recover the revenue in arrears.

##### **2.2.2 Lease Rent and License Fees**

Action had not been taken to recover Lease Rent amounting to Rs. 567,291 and License Fees amounting to Rs. 206,780 to be recovered relevant to the year under review and previous years in terms of Sections 155 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

##### **2.2.3 Court Fines and Stamp fees**

Courts Fines amounting to Rs. 540,493 and Stamp Fees amounting to Rs. 48,868,394 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013.

##### **2.2.4 Lease of Stall Rent**

(a.) Following matters were observed at the audit inspection carried out during February 2014 in connection with leasing out of stalls in the Ahungalla Public Market Complex.

- (i.) Lease Rent in arrears at the time of audit was Rs. 261,287.

- (ii.) Although there were 18 retail stalls and 04 fish stalls, 14 stalls out of that had been closed down. The leased period in the relevant agreements had elapsed.
  - (iii.) Any of the agreements relevant to 11 retail stalls were not furnished to audit. While every agreements should be up dated once in three years and a new assessment should be made once in 05 years according to the instructions in Circular No. දළභ/පළාතෝ/2010/01 dated 27 December 2012 of the Commissioner of Local Government, action had not been accordingly.
  - (iv.) A situation of stalls going under water had arisen due non-outflow of water through the culvert and drainage system in the road in front of the during rainy season. The income receivable to the Sabha had been lost as the lessees of the stalls had not taken action to pay stall rents duly, due to this reason, and lack of applicants for the stalls not facing the road.
- (b.) Following matters were observed at the audit inspection carried out during February 2014 in connection with the Balapitiya Public Market.
- (i.) Lease Rent in arrears receivable to the Sabha from 28 stalls by March February 2014 was Rs.854,115.
  - (ii.) While every agreement should be up dated once in three years and a new assessment should be made once in 05 years according to the instructions in Circular No. 2010/01 dated 27 December 2012 of the Commissioner of Local Government, action had not been taken accordingly.
  - (iii.) It was observed that 23 stalls had been closed down at the time of audit.

### **2.3 Surcharges**

A sum of Rs. 178,610 was outstanding to be recovered as at 31 December 2013, in connection with 08 surcharges imposed by me during the previous years against the individuals who are responsible, in terms of provision in the Pradeshiya Sabha Act No. 15 of 1987.

## **3. Operational Review**

### **3.1 Management Inefficiencies**

Although Declarations of Assets and Liabilities should be furnished by all Members including the Chairman, as required in terms of Act No. 01 of 1975 as amended by Act No. 74 of 1988 Declarations of Assets and Liabilities had not been furnished for the year 2013 by 10 Members. Similarly, it was observed that Declarations of Assets and Liabilities had not furnished by 07 Members for the year 2012 and by 07 Members for the year 2011 too.

### 3.2 **Contracts Administration**

Following observations are made.

(a.) Construction of Ahungalla Public Library

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While construction works had been commenced during November 1998, a sum of Rs.662,575 had been spent up to April 2002. While only the walls had been erected having put up the concrete slab for the first floor as at the end of the year 2002, construction works had been stopped half way without carrying out the balance work. It was observed at the inspection of the site carried out on 10 February 2014 that the building had been getting deteriorated over period of 12 years and surrounding area had been covered with wild plants.

(b.) Concreting the Sub-way nearby the Ambagahapitiya Temple

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An estimate for Rs. 300,000 had been prepared by the Technical Officer of the Sabha for the work and it had been approved by the District Engineer on 11 June 2011. A sum of Rs.258,926 had been paid on 30 September 2013 having entered into an agreement for Rs.300,000 with a Rural Samurdhi Development Society on 27 September 2012.

At the physical inspection carried out with the Technical Officer on 11 February 2014, following matters were observed.

- (i.) While action had been taken to make the thickness of the road as 100 m.m. instead of 125 m.m. at the discretion of the Technical Officer, prior approval had not been obtained for that.
- (ii.) The Engineering Assistant had recommended making payment on condition that, any expenditure to be incurred on, due to any damage to the road consequent on reducing the thickness of the road should be born by the Technical Officer and the Contacting Entity at the rate of 50% and payment had been approved by the District Engineer on 02 may 2013.
- (iii.) It was observed that two places of the road had been re-concreted due to breakage of concrete in two places, and that there had been a fracture to the extent of about 10 feet in the middle of the road and that this condition had arisen due to lapses in the construction work according to the estimate.

#### **4. Systems and Controls**

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

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