

Bentota Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 27 March 2014 while Financial Statements relating to the preceding year had been submitted on 02 April 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabah 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 Bentota Pradeshiya Sabah as at 31 December 2013 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 Non-compliance with Public Sector Accounting Standards

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

1.3.2 Accounting Deficiencies

Following observations are made.

- (a.) Although the Creditors balances payable for 17 Works relevant to the year under review was Rs. 7,124,195, it had been shown as Rs.7,848,172 in the financial statements. Due to that, expenditure for the year under review and the Creditors Balance had been overstated in a sum of Rs. 723,977.
- (b.) Although the Creditors balances payable for 03 Works relevant to the year under review was Rs. 1,455,411, it had been shown as Rs.1,302,817 in the financial statements. Due to that, expenditure for the year under review and the Creditors Balance had been understated in a sum of Rs. 152,594.
- (c.) Fixed Assets valued at Rs. 55,490 purchased during the year under review had not been capitalized.
- (d.) When capitalizing the value of modified cab vehicle, Contribution from Revenue to Capital outlay Account had been overstated in a sum of Rs.1,500,000.

- (e.) Although the expenditure of salaries and allowances of the permanent staff relevant to the year under review was Rs. 14,591,697, the amount reimbursed by the Commissioner of Local Government had been Rs.13,038,600. Accordingly salaries and allowance receivable as at 31 December of the year under review should be Rs.1,553,097. However, it had been shown as Rs.1,200,000 in the financial statement understating the Revenue Receivable in a sum of Rs. 353,097.
- (f.) Provision had not been made in the financial statement in respect of the pension contributions amounting to Rs.4,248,455 payable to the Department of Pensions on behalf of the retired Local Government Employees as at 31 December the year under review in the financial statements.
- (g.) The value of land at Bogahagoda amounting to Rs.300,000 transferred to the Sabah through a deed of gift had not been capitalized.

1.3.3 Non-reconciled Control Accounts

A difference of Rs. 4,324,185 was observed between the balances shown according to the Control accounts and relevant subsidiary registers relating to 12 items of accounts.

1.3.4 Lack of Evidence for Audit

Evidence such as Ownership Deeds, updated Registers of Fixed Assets, Board of Survey Reports and Confirmations of Balances relating to transactions totalling Rs. 113,014,720 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 Sabah for the year ended 31 December 2013 amounted to Rs.5,459,925 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,242,459.

2.2 Revenue Administration

2.2.1 Rates and Acreage Tax

Action had not been taken to recover Rates amounting to Rs. 3,416,781 and Acreage Tax amounting to Rs.116,781 which should have been recovered relevant to the year under review and the previous years in terms of Sections 158 of the Pradeshiya Sabah Act No. 15 of 1987.

2.2.2 Court Fines and Stamp fees

Court Fines amounting to Rs.1,383,833 and Stamp Fees amounting to Rs.19,711,635 were outstanding to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013.

2.2.3 Stall Rent

A sum of Rs. 53,912 was outstanding to be recovered as at March 2014 from Lessee of the Stall No. 01 in Elpitiya Road,, Benthota, leased out during the year 2013.

2.2.4 Telecommunication Tower Tax

While a Certificate of Conformity should be obtained with regard to each telecommunication tower in terms of Circular No. 1597/8 dated 17 April 2009 of the Urban Development Authority, if not obtained, a fine of Rs. 50 per day should be recovered from the date of expiry of one year given to use it, unless an amendment had not been made by the Sabah. It was revealed at the audit inspection carried out 24 May 2014 that Conformity Charges and Fines amounting to Rs. 21,000 had not been recovered for towers constructed and used in the area of authority of Sabah.

2.3 Surcharges

A sum of Rs. 6,238 was outstanding to be recovered as at 31 December 2013 in connection with a surcharge imposed by me in 1983, in terms of provisions in the Pradeshiya Sabah Act No.15 of 1987 against the persons responsible.

3. Operating Review

3.1 Management Inefficiencies

Although Statements of Assets and Liabilities as required in the Act No. 01 of 1975 as amended by the Declaration of Assets and Liabilities Act No. 74 of 1988 should be given by all Members of the Sabah, Chairman, vice Chairman and all Members had not furnished declarations of Assets and Liabilities for the year 2013.

3.2 Operating inefficiencies

Following observations are made.

3.2.1 Land Auction of Bogahagoda Estate

Development Permit had been issued on 13 February 2013 after approving the Blocking out Plan to a private firm to block out a land called Bogahagoda Estate in extent of 04 acres and 10 perches. Following matters were observed at the inspection carried out on 26 March 2014.

- * The plot of land in extent of 54.88 perches given to the Sabha from the land auctioned was located in a corner of the South Western end of the land at the boundary of a small piece of a land which is of no use.
- * While inner roads of the land had not been tarred both sides of the drains had not been applied with concrete.
- * Electricity and water supply had not been provided.
- * While the blocks of land had been sold without leaving a Reservation for the canal way in

the western corner of the land a house too had been constructed in a plot of a land sold in that manner at the boundary of the canal.

3.2.2 Staff Loans

The balance of loans of which recoveries in arrears and due from 20 employees who were in service of the Sabah and left on transfers or vacated service or deceased or retired was Rs. 67,676. Out of that, the amount due from 16 employees since a period prior to the year 2001 had been Rs. 41,438. Proper course of action had not been taken by the Sabha to recover that amount.

3.3 Improper Transactions

When purchasing material for two works relating to reconstruction of Yalegama Pelangaswatta Road and a part of Arachchimulla Kommala Road payment had been made exceeding the prices shown in the report of the District Price Fixing Committee. Due to that, an excessive payment of Rs. 63,266 had been made.

3.4 Idle Assets

It had been informed to prepare a scheme by 05 September for 2013 for disposal of old vehicles and machinery getting deteriorated without being used in government institutions, vide instructions given in Circular No. PC/MD/PR/2013 dated 05 June 2013. It was observed at the audit inspection carried out in March 2014 that a tractor and a cab vehicle were getting deteriorated over a period of more than 05 years and action had not been taken with regard to those assets as per instructions given in the circular mentioned above.

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