

**Bulathsinhala Pradeshiya Sabha**

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**Kalutara District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year under review had been submitted to Audit on 02 April 2014 while Financial Statements relating to the preceding year had been submitted on 01 April 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 10 December 2014.

**1.2 Opinion**  
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Due to the importance matters appearing in paragraph 1.3 of this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Bulathsinhala Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended.

**1.3 Comments on Financial Statements**  
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**1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**  
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Although a Cash Flow Statement should be submitted along with the Financial Statements in accordance with the Sri Lanka Public Sector Accounting Standard 02, a Cash Flow Statement had not been submitted.

**1.3.2 Accounting Polices**  
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Accounting Policies adopted in preparation of the financial statements had not been disclosed in the financial statements.

**1.3.3 Accounting Deficiencies**  
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Following observations are made.

- (a.) While the payment made for the purchase of library books during the year 2013 had been Rs.320,325 and the amount payable for library books (Creditors) had been Rs. 100,000 according to the Votes Ledger, a sum of Rs. 249,580 only had been accounted under Library book. Due to that, value of Library Book had been understated in a sum of Rs.170,745.

- (b.) Purchase of General Stores and Ayurvedic stores during the year amounting to Rs. 4,724,971 and Rs. 279,635 respectively had had been credited to the Contribution from Revenue to Capital Outlay Account instead of crediting to the Expenditure Account. Similarly, issues of those stocks amounting to Rs. 4,489,408 and Rs. 224,020 had been debited to the Contribution from Revenue to Capital Outlay Account respectively, instead of crediting to the Expenditure Account. Due to these errors, expenditure for the year under review had been understated in a sum of Rs. 291,178 while the balance of the Contribution from Revenue to Capital Outlay Account had been overstated to the same extent.
- (c.) In taking the yearend balance of the Cash Account (Account No. 002) to the Trial Balance, it had been lessen by a sum of Rs. 111,785. Although that amount should have been credited to the suspense Account to correct that error, it had been credited to the Accumulated Fund Account.
- (d.) Rates amounting to Rs. 21,560, Acreage Tax amounting to Rs. 8,944 and Business Tax amounting to Rs. 6,720 received during the year 2012, relevant to the year 2013 accounted in the Receipts in Advance Account had not been adjusted to the relevant revenue Accounts for the year under review. Rates amounting to Rs. 34,513 and Acreage Tax amounting to Rs. 4,439 received relevant to the year 2014 had been accounted as receipts for the year under review, without being credited to the Receipts in Advance Account.
- (e.) In preparing the Financial Statements for the year 2012, payments of Rs. 1,168,342 made to creditors during January 2013 had been debited to Creditors Account relevant to the year 2012. Although the Suspense should be debited for correction of that error during the year 2013, it had been debited to the Accumulated Fund Account.
- (f.) Pension Payments, Pension Benefits and Gratuity Payments totalling Rs. 600,000 had not been accounted in the Revenue and Expenditure Account.
- (g.) Expenditure of Rs. 492,032 on Transport, Communication, Utility and Other Services had not been accounted in the Revenue and Expenditure Account.
- (h.) Capital Expenditure amounting to Rs. 114,750 had been understated in the Revenue and Expenditure Account.
- (i.) Loan Balance payable for the cab vehicle valued at Rs. 3,178,457 received from the Commissioner of Local Government on loan basis had not been accounted.
- (j.) While the debit balance in the Suspense Account at the end of the year under review had been Rs. 1,486,243, action had not been taken to clear that.

## 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 2013 had been Rs. 1,900,052 as against the excess of revenue over recurrent expenditure amounted to Rs.1,670,959 in the preceding year.

### 2.2 Financial Control

While the balance in the Accumulated Fund Account as at the end of the year under review had been a debit balance of Rs. 3,257,778, the balance in the Accumulated Fund Account had been declining over a number of past years. Details are shown blow.

Year	Balance in the Accumulated Fund Account
	Rs.
2013	(3,257,778)
2012	5,711,256
2011	9,493,445

### 2.3 Revenue Administration

#### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	1,534	1,178	521
(ii)	Lease Rent	-	-	547
(iii)	Licence Fees	102	82	42

### **2.3.2 Rates**

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While the balance of Rates in Arrears as at 31 December 2013 amounted to Rs. 139,197, action had not been taken to recover a sum of Rs. 51,227 out of that, even as at 31 October 2014.

### **2.3.3 Acreage Tax**

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Action had not been taken to recover even up to 30 August 2014, date of audit, the balance of Acreage Tax in arrears amounting to Rs. 83,984, that had been outstanding prior to the year 2011.

### **2.3.4 Business Tax**

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While there was an arrears balance of Rs. 204,540 due from 168 business places as at 31 December 2013, action had not been taken to recover a sum of Rs. 132,620 out of that, even up to 30 August 2014, date of audit.

### **2.3.5 Industrial Tax**

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Out of the balance of Industrial Tax in arrears amounting Rs. 72,570 as at 31 December 2013, action had not been taken to recover a sum of Rs. 46,500 out of that even up to 30 August 2014, date of audit.

### **2.3.6 Ferry Tax**

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While the balance of Ferry Tax in arrears amounted to Rs. 500,716, balances of Rs. 11,863 brought forward from the period prior to the year 1988, a sum of Rs. 25,168 relevant to the year 1989 and the balances amounting to Rs. 463,685 relating to the years from 2000 to 2008 were included therein. Action had not been taken to recover those balances within the relevant years and therefore those balances remained as arrears even up to 30 August 2014, date of audit.

### **2.3.7 License Fees**

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Action had not been taken to recover a sum of Rs. 29,810 relevant to 28 businesses, out of the balance of Trade License Fees in arrears amounting to Rs. 41,856 as at 31 December 2013.

### **2.3.8 Other Revenue**

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Stamp Revenue amounting to Rs. 99,723 relevant to the year 2010 recovered by the Office of the Registrar of Land, Colombo in terms of the Pradeshiya Sabha Act No. 15 of 1987, had been refused to be given to the Sabha, due to failure in making the application within 03 years.

## 2.2.9 Court Fines and Stamp Fees

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Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were as follows.

	Rs.
Court Fines	7,841,003
Stamp Fees	1,546,254

## 2.4 Operational / Management Inefficiencies

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### (a.) Losses and Damages

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Although the installments of the loan obtained from the Local Loans and Development Fund during the year 2009 was payable from the year 2011, payments had not been made accordingly and payments had been commenced from the year 2013. Due to that, a sum of Rs. 20,493 had been recovered as fine interest by that Institution.

### (b.) Payment of Contributions to the Pension Fund

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According to the Pension Fund Contribution Bill sent in December 2013 through the Pension Department, balance payable as at 31 December 2013 had been Rs. 3,049,837. A sum of Rs. 700,000 only had been shown as Provision for Pension Creditors in the financial statements for the year 2013. It was observed in audit that a balance of Rs. 2,349,837 payable to Pension Fund had not been accounted, due to that.

### (c.) Purchase of Finger Marks Printing Machine

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A Finger Marks Printing Machine had been purchased for sum of Rs. 123,500 on 26 February 2008. Following matters were observed in this connection.

(i.) Printed Copies of arrival and departure times had not been obtained from the Finger Marks Printing Machine from the date of purchase to 29 September 2014, date of audit.

(ii.) Although the machine had been handed over to the Supplier Institution for repairs as it had become out of order as at 19 April 2013, action had not been taken to get down the machine after repairs up to August 2014.

### (d.) Staff Loans

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While loan balances amounting to Rs. 170,496 recoverable since the year 2011 from 7 employees who had served as a Sanitary Labourer and Clerks, and vacated service retired or deceased had not been recovered up to 31 December 2013 and action had not been

taken in terms of the provisions in the Establishments Code for the recovery of these balances.

**2.5 Accounts receivable**  
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Action had not been taken to get reimbursements relating balance of Electrical Stores Receivables amounting to Rs. 17,798 which had been brought forward over number of years and Street Lamps Grants and Salary Reimbursements totalling Rs. 855,463.

**3. Systems and Controls**  
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Special attention of the Sabha is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Budgetary control
- (iii.) Revenue Administration