

Bandaragama Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 April 2013 and the financial statements for the preceding year had been presented on 26 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 16 January 2014.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Bandaragama Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a) Books valued at Rs.151,492 received as donations and 05 items of assets valued at Rs.153,224 purchased during the year under review had not been capitalized.
- (b) The Rottery Saving machine purchased at Rs.175,000 had been capitalized as Rs.17,500.
- (c) The balance of the general stock account as at end of the year under review had been overstated by Rs.1,284,547.
- (d) Rates amounting to Rs.53,472 received during the preceding year in respect of the year under review had been adjusted to the accumulated fund, instead of being adjusted to the rates income for the year under review.
- (e) Work Aid receivable amounting to Rs.44,316,613 as at end of the year under review had not been thought to accounts.
- (f) Stamp fees in arrears received during the year under review amounted to Rs.41,416,205 whilst the balance receivable as at the beginning of the year under

review amounted to Rs.15,349,794. However, the sum of Rs.26,066,411 received more in respect of the preceding years had not been credited to the accumulated fund and therefore, the balance receivable for the current year had been understated by a similar amount.

- (g) The balance of the refundable deposits account amounting to Rs.528,436 had been shown as a balance receivable.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.68,441,245 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.7,755,603 as compared with the excess of revenue over recurrent expenditure amounting to Rs.20,594,382 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	6,861	8,435	2,091
(ii) Lease Rent	7,766	2,858	1,062
(iii) Licence Fees	1,046	861	69
(iv) Other Revenue	111,047	88,884	15,057

2.2.2 Court Fines and Stamps Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	<u>Rs.</u>
(i) Court Fines	10,432,491
(ii) Stamp Fees	3,933,589

2.2.3 Business Tax

Business tax in arrears amounting to Rs.15,240 due from 14 business locations and industrial tax in arrears amounting to Rs.4,250 due from 05 industries respectively relating to the year 2011 of the Adikaripaththuwa Sub-office had been written off on the recommendations given by the Revenue Inspector on 18 January 2012 stating that the respective 14 business entities have been closed down and the 05 industries have been shifted from the places. But there was no evidence to support that these businesses had not been in operation during the year 2011.

2.2.4 Non-recovery of Water Chargers from Stalls

18 stalls of the Bandaragama Trade Complex and 15 stalls of the New Trade Complex had been given on lease and according to the lease agreements the water bills of the stalls should be paid by the lessee. However, water had been provided to the stalls from the water tank of the Milk Bar of the Sabha. Therefore, the Sabha had spent a sum of Rs.73,525 for the year 2011, Rs.97,577 for the year 2012 and Rs.16,153 for January and February of 2013 as water bill charges of the Milk Bar.

2.3 Accounts Receivable and Payable

- (a) Action had not been taken to recover the sum of Rs.645,435 being the amount recoverable for works brought forward since prior to 2002 and the sum of Rs.10,470 being the value of dishonoured cheques brought forward since October 2009.
- (b) The balance of expenditure creditors amounting to Rs.111,752,661 as at end of the year under review included unidentified balances amounting to Rs.18,400,100.

2.4 Uneconomic Transactions

A sum of Rs.1,834,875 had been paid on 17 September 2007 to supply and install a “Shambavo” type PE250 m.m. 20 horse power metal crusher manufactured in China with accessories and a motor operates by common electricity supply. Further, 50% of the retention money amounting to Rs.101,937 had been paid on 28 March 2008. However, when the machine was started on 01 July 2008 it had not been properly worked and it had been repaired at an expense of Rs.32,500 and the metal crushing had been commenced in November 2008. 644.94 cubes of 6” x 9” metal had been purchased for Rs.1,133,690 from 14 November 2008 to 16 November 2009 for this project. Nevertheless, the project had been abandoned since November 2009 after nearly one year from the commencement and the machine had been lying idle.

2.5 Operating Inefficiencies

The following observations are made.

- (a) According to the financial statements, the balance of unsettled advances as at 31 December 2012 amounted to Rs.4,037,971.
- (b) Action had not been taken in terms of Financial Regulation 396(d) of the Republic of Sri Lanka even as at 23 August 2013; the date of audit examination in respect of 23 cheques valued at Rs.131,477 issued but not presented for payment for over 06 months.
- (c) The Sabha had recovered a sum of Rs.471,886 during 2010, 2011 and 2012 in respect of damaging roads for laying water pipes for houses. Nevertheless, action had not been taken to reconstruct the damaged roads even by 06 March 2013; the date of audit examination.
- (d) 22 permanent Road Labourers, 26 Substitute Road Labourers, 07 permanent Health Labourers and 16 Substitute Laborers had been employed at various work sites. But, a plan of assigning duties had not been prepared for the above duties and written records also had not been prepared for assigning of duties daily.
- (e) Out of the construction plans submitted to the Sabha a total of 985 residence and commercial applications had been approved by the Sabha from 2008 to 2011. However, only 145 conformity certificates which should be obtained after completion of the construction, but before occupying the houses; had been obtained for the above 04 years.
- (f) A corporate plan for not less than 03 years had not been prepared to achieve the vision and the mission of the institution.
- (g) An annual procurement plan had not been prepared.
- (h) Favourable variances within a range of 35 percent to 72 percent were observed in respect of 01 item of revenue and 04 items of expenditure. Similarly, adverse

variances within a range of 37 percent to 71 percent were observed in respect of 02 items of revenue and 01 item of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management control.

2.6 Internal Audit

An adequate internal audit had not been conducted.

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Financial Control
- (d) Assets Management
- (e) Stocks Control