

**Beliatta Pradeshiya Sabha**  
**Hambanthota 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 22 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 December 2014.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Beliatta Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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

Although the accounts should be prepared by the Local Authorities with effect from 01 January 2011, according to the Sri Lanka Public Sector Accounting Standards, in terms of the 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 Deficiencies**

Following observations are made.

- (a.) Although the Interest Income for the year under review relevant to 20 Fixed Deposits was Rs.882,765, it had been adjusted as Rs. 837,667 through the journal entry No. 10. Due to that, Interest Income had been understated in a sum of Rs. 45,098.
- (b.) Although the Fixed Deposits Interest Income Receivable as at 31 December 2013 was Rs. 48,253, it had been shown as Rs. 9,698 in the Ledger. Due to that, Revenue Debtors had been understated in a sum of Rs. 38,555.
- (c.) While a sum of Rs. 2,953,766 had been capitalized on account of restructuring front side and side behind of the New Office building, , according to the registers a sum of Rs. 2,679,567 had been spent. Due to that, value of office building had been overstated in a sum of Rs. 274,999.
- (d.) The cost of Fixed Assets purchased during the year under review totalling Rs.1,042,586 had not been credited to the Contribution from Revenue to Capital Outlay Account having debited the Asset Account.

### **1.3.2 Unexplained Variations**

Unexplained Variations amounting to Rs.8,408,349 were observed between balances relating to 02 items of accounts shown in the financial statements and schedules and/ subsidiary records.

### **1.3.3 Lack of Evidence for Audit**

Evidence such as registers, schedules, age analysis relating to transactions totalling Rs.7,947,550 was not submitted to audit.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2013 amounted to Rs. 1,860,840 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.3,066,382.

### **2.2 Revenue Administration**

Following observations are made.

#### **2.2.1 Performance in collection 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
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	2,838	2,786	860
(ii.) Lease Rent	9,618	7,923	1,291
(iii.) Licence Fees	442	623	-
(iv.) Other Revenue	55,240	31,269	90,402

#### **2.2.2 Rates and Taxes**

Action in terms of Section 158(1) (a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Rates Revenue in arrears amounting to Rs.851,782 as at 31 December 2013

#### **2.2.3 Stalls Rent of Beliatta Shopping Complex**

Auction had been taken to lease out third floor in extent of 11152 square feet to a private company according to a Sabha decision dated 30 May 2007.

- (i.) It had been stated in the agreement that lump sum amount of Rs. 3 million in terms of the agreement should be paid in 03 installments (by 08 June 2008). While the lessee had not taken action to pay the money within the specified period, a sum of Rs. 500,000 had been paid as last installment on 06 January 2011.
- (ii.) Lease Rent recovery had been commenced again from March 2013, after setting off 05months Lease Rent for 05 months onwards from October 2012 stating that business

activities were not commenced in that floor, as sanctioned under decision No. 518 of the Sabha meeting held on 07 August 2012. Although monthly lease rent relating to the properties belong to the Sabha should be recovered from the date of signing the agreement, rent recoveries had been made from time to time from the lessee, contrary to that.

- (iii.) Although the lump sum money should be recovered at once according to the paragraph 04 of the Circular No. SLA/CLG/2010/01 dated 01 January 2011, lump sum money totalling Rs.15,000,790 for 48 stalls was in arrears even as at the last date of the year under review.
- (iv.) Although the lease agreement should be up dated once in three years according to paragraph 05 of the above mentioned circular, such action had not been taken.

#### **2.2.4 Machinery and Equipment Revenue in Arrears**

Action had not been taken to recover Machinery and Equipment Revenue in Arrears amounting to Rs.1,209,189 due from outside parties and employees of the Sabha as at the end of the year under review. Machinery and Equipment Revenue due relevant to the year 2012 included in this arrears was Rs. 1,053,959. It was 87 percent of the total amount in arrears.

#### **2.2.5 Court Fines and Stamp Fees**

Court Fines amounting to Rs. 834,128 and Stamp Fines amounting to Rs.14,399,604 due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were in arrears.

### **3. Operating Review**

#### **3.1 Management Inefficiencies**

The willow of the Bako Machine No. RS-1233 of about 01 foot in size had been misplaced on 14 February 2013 or a date closer, While it had been recommended in the enquiry report dated 07 June 2013 that it is suitable to recover the sum of Rs. 104,227 being the approximate value of the loss property in installments from the person responsible, a sum of Rs. 34,742 was further outstanding to be recovered.

### **5. 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.) Assets Management
- (d.) Staff Loans Administration