

Bandaragama Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 14 May 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 28 July 2015.

1.2 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 Bandaragama Pradeshiya Sabha as at 31 December 2014 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 Accounting Deficiencies

Following observations are made.

- (a) Debit balance of 329,555 relating to the Value Added Tax in the Deposits Payable balance under Current Liabilities had been set off against the Credit balance in the Deposits Payable Account. Due to that, Current Liabilities had been understated to that extent.
- (b) Although the Stock of Electrical Goods valued at Rs. 33,704 had not been issued out Electrical Stores Stocks in Hand, that Stock had not been included in the closing Stock.
- (c) Although the sum of Rs. 352,052 payable under Provincial Criteria Development Grants Program during the year 2014 had been paid on 23 January 2015, that value had not been shown in Works Debtors and creditors balances for the year under review.
- (d) The sum of Rs. 64,902 paid to the Creditors on 08 August 2014 under Sabha Funds Program had been included in the Creditors Payable account. Due to that, Creditors balance had been overstated to that extent.
- (e) A sum of Rs. 4,456,548 had been credited to the Accumulated Fund Account having debited the Works Debtors Ledger, in order to make the balance of Work Debtors

amounting to Rs. 103,060,750 as per Schedule of Work Debtors Receivable equal with the Work Debtors Ledger balance as at the end of the year under review.

- (f) The sum of Rs. 4,053,465 received as Fixed Deposits Interest for the period from the year 2011 to the year under review had been accounted as revenue for the year under review.
- (g) A sum of Rs. 1,329,612 received for damaging roads in laying water pipes had been accounted as Revenue under Fees for Services Revenue, without being utilized to repair those roads.
- (h) Although only the sum of Rs. 1,765,680 paid as installments for the Cab Vehicle valued at Rs. 3,178,457 provided from the Provincial council during the year should be recorded in the fixed Assts and Contribution from Revenue to Capital Outlay Accounts, the total value had been accounted. Due to that, Fixed Assets and Contribution from Revenue to Capital Outlay Accounts had been overstated in a sum of Rs. 1,412,777.
- (i) The sum of Rs. 3,178,457 being full value of the above asset, should be credited to the Provincial Council Loan Account having debited the Utility Services Recoverable Account and the total value of installments paid amounting to Rs. 1,765,680 should be reduced from those accounts. Accordingly, balances of the Utility Services Account and the Provincial Council Loan account should be Rs. 1,412,777. However, it had been recorded as Rs. 3,178,456 in the Utility Services Account. Due to that, a sum of Rs. 1,765,679 had been overstated.

1.3.2 Lack of Evidence for Audit

Transactions totalling Rs.24,733,708 could not be satisfactorily vouched in audit due to non-submission of detailed schedules.

2. Financial 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 2014 had been Rs.22,362,074 as against the excess of revenue over recurrent expenditure amounted to Rs.1,295,262 in the preceding year.

2.2 Revenue Administration

2.2.1 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
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		Rs.'000	Rs.' 000	Rs. '000
(i.)	Rates	3,666	3,367	2,846
(ii.)	Acreage Tax	6	-	28
(iii.)	Industrial Tax	687	753	137
(iv.)	Business Tax	2,524	2,542	436
(v.)	Trade License Fees	157	175	32
(vi.)	Lease Rent	578	619	502
(vii.)	Entertainment Tax	30	-	-
(viii.)	Stalls Rent	722	687	226

2.2.3 Court Fines and Stamp Fees

Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014 were as follows.

	Rs.
Court Fines	6,326,484
Stamp Fees	30,351,039

3. Operating Review

3.1 Operational Inefficiencies

Following observations are made.

- (a) Pension contributions in arrears amounting to Rs. 1,455,576 which was being brought forward since a period prior to the year 2006 had not been sent to the Pension Department even as at 31 December 2014.
- (b) Action in terms of Government Financial Regulation 571 had not been taken with regard to Deposits amounting to Rs 2,382,114 which had exceeded 2 years.

- (c) Deposits made amounting to Rs. 22,000 during the years 2006 and 2007 on account of road damages had been kept in the Deposits Account without being performed the relevant work.
- (d) While there were adequate chairs and tents in the possession of the Sabha, tents, chairs and bulbs had been obtained on hire basis from a private institution for a sum of Rs. 152,500 in 5 instances.

3.2 Improper Transactions

- (a) Although except under medical grounds in situations when the Chairman, Vice Chairman and Member is being on leave does not qualify to receive the allowance according to Rule No. 3 in Paragraph (4a), of the Gazette Notification No. 1399/5 dated 27 June 2005 of the Republic of Sri Lanka, Members who were marked as absent in the Attendance Register had obtained a sum of Rs. 231,500 as Members Allowances during the period from January to December 2014.
- (b) Although the limit for settlement of telephone bills of the Chairman and the Vice Chairman is Rs. 3,000 and Rs. 2,500 respectively according to Circular No. LG/04/2000 dated 02 June 2000 of the Commissioner of Local Government (W.P.), a sum of Rs. 6,920 to the Chairman and a sum of Rs. 10,612 to the Vice Chairman had been over paid, who had exceeded that limit.
- (c) A sum of Rs. 158,800 had been paid for making 200 multi colored flags for the Sabha. Although quotations had been called for, type of flags, length and width of flags had not been mentioned. While the number of flags taken over and the date of taken over had not been recorded, entries in the Register of Inventory too had not been made.

3.3 Vehicles Control

- (a) Fuel Consumption tests of all vehicles belong to the Sabha had not been carried out once in 06 months in terms of Public Administration Circular No. 41/90 dated 10 October 1990.
- (b) Although a sum of Rs. 82,010 had been spent as repair expenses for 2 vehicles met with accidents on 22 August 2014 and 02 March 2015, relevant Insurance Claims had not been obtained.

3.4 Budgetary Control

- (a) Although a total sum of Rs. 3,960,000 had been made available for 11 Items of Expenditure according to the Budget Estimate for the year 2014, any expenditure had not been incurred out of that at the end of the year.

- (b) Instances of transferring Provisions totallingRs. 5,670,000 for 13 Items of Expenditure to other Items of Expenditure, due to non-performance of relevant work were observed.

4. Systems and Controls

Special attention is needed in the following areas of controls.

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