

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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 27 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 05 August 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 Benthota 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) Provision had not been made for 03 Works relevant to the year under review and for one Work amounting to Rs 203,959 relevant to the year 2012. Due to that, Capital Expenditure had been understated in a sum of Rs.762,946 and the Accumulated Fund had been overstated in a sum of Rs.203,959, while General Supply Creditors had been understated in a sum of Rs.966,905.

- (b) Although the amount approved by the Commissioner of Local Government for 09 Works under the Program "From Door to Door - From Village to Village – 2014" was Rs.4,746,599, a sum of Rs.5,126,883 had been shown as Capital Expenditure. Due to that, Capital Expenditure and Creditors had been overstated at the rate of Rs.380,284.

- (c) Although the Court Fines Revenue receivable for the year under review was Rs. 693,217, it had been shown as Rs. 734,750 in the financial statements. As such the Warrant charges and Fines Revenue and Revenue Debtors had been overstated at the rate of Rs.41,533.
- (d) Instead of capitalizing the difference of Rs. 300,023 arisen between the original value of the cab vehicle bearing No 252-6569 amounting to Rs. 1,500,000 and the modified value amounting to Rs. 1,800,023, value after modification amounting to Rs. 1,800,023 had been capitalized. Due to that, Fixed Assets and the balance of the Contribution from Revenue to Capital Outlay Account had been overstated at the rate of Rs.1,500,000 in the financial statements.
- (e) Value of the Tractor baring No. RD 6882 and the Trailer bearing No. Rx 1020 received during the year under review from the Chief Secretary of the Southern Provincial Council had not been assessed and capitalized.
- (f) Library Books valued at Rs. 110,302 received as donations during the year under review had not been shown as Capital Grants in the financial statements.

1.3.2 Non-reconciled Control Accounts

A difference of Rs.2,144,837 existed between the balances shown according to the Control accounts and relevant subsidiary registers relating to 08 items of accounts.

1.3.3 Lack of Evidence for Audit

Evidence such as Ownership Deeds, updated Registers of Fixed Assets, Board of Survey Reports and Certificates of Confirmations of Balances relating to transactions totalling Rs.163,353,459 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 Sabha for the year ended 31 December 2014 amounted to Rs.6,445,200 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,459,925.

2.2 Revenue Administration

2.2.1 Rates and Acreage Tax

Action in terms of Sections 158 (1) (a) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken by the Sabha Secretary to recover Rates amounting to Rs.3,453,938 and Acreage Tax amounting to Rs.129,418 as at 31 December 2014.

2.2.2 Lease Rent

Although an arrears of revenue totalling Rs.61,228 on account of Lease Rent prevailed as at 31 December 2014 from one stall in Benthota, Elpitiya Road, from 03 stalls of the Public Market and from one stall in the old bus stand, action in terms of condition 04 in the lease agreements of the stalls had not been taken by the Sabha Secretary, to make recoveries.

2.2.3 Court Fines and Stamp fees

Court Fines amounting to Rs.788,582 and Stamp Fees amounting to Rs.13,625,235 were outstanding to be recovered from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

2.3 Surcharges

A sum of Rs. 6,238 was outstanding to be recovered as at 31 December 2014 in connection with a surcharge imposed by me in the year 1983 in terms of provisions in the Pradeshiya Sabha Act No.15 of 1987 against the persons responsible.

3. Operating Review

3.1 Management Inefficiencies

Declaration of Assets and Liabilities as required in terms of the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by the (Amendments) Act No. 74 of 1988 had not been made for the year 2013 by 11 Members of the Sabha including the Vice Chairman, while the Chairman, Vice Chairman and all the Members of the Pradeshiya Sabha had not made declarations for the year 2014.

3.2 Operating inefficiencies

Although the difference between the bank interest rate for property loans and the 4 per cent interest recovered from the officers amounting to Rs. 234,173 had been paid out of the Sabha Fund, in terms of Clause 11.5 of the Public Administration Circular No. 8/2005 dated 31 March 2005, that amount had not been got reimbursed from the Local Government Department.

3.3 Idle Assets

Although a tractor and a cab vehicle belong to the Sabha remained getting corroded in the garage of the Sabha over a period of more than 06 years, action had not been taken to repair or for disposal of those assets.

4. Accountability and Good Governance

Budgetary Control

It was observed that there were variations of revenue between the budget estimates and the actual revenue and there were savings in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets management