

**Beruwala Pradeshiya Sabha**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 01 June 2015 while Financial Statements relating to the preceding year had been submitted on 24 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 19 June 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 Beruwala Pradesiya Sabhaas 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) While Inventory Goods purchased for Rs.146,100 during the year under review had been capitalized, a sum totalling Rs.271,900 had been taken to General Stores Stock balance and accounted.
  
- (b) Revenue totalling Rs. 678,835 and expenditure totalling Rs. 215,677 to be adjusted to the Revenue and Expenditure Account for the year under review had been accounted in the Accumulated Fund Account.

**1.3.2 Lack of Evidence for Audit**

Transactions totalling Rs. 76,281,123 could not be satisfactorily vouched in audit due to non-submission of required information 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 had been Rs.29,377,303 as compared with the

corresponding excess of revenue over recurrent expenditure amounted to Rs.66,345,982 in the preceding year.

## 2.2 Revenue Administration

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

Information as furnished relating to Estimated Revenue, Actual Revenue and arrears of Revenue are 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	16,467	10,844	14,347
(ii)	Lease Rent	15,605	13,154	3,029
(iii)	Licence Fees	1,899	1,908	-

### 2.2.2 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	18,862,985
Stamp Fees	19,693,531

## 3. Operational Review

### 3.1 Improper Transactions

Following observations are made.

- (a) While a sum of Rs. 3,098,544 had been spent for entertainment expenses for various works during the year 2014, out of that a sum of Rs. 1,384,955 as for essential duties, a sum of Rs. 455,415 as for Special Meetings, a sum of Rs. 443,894 as for Special functions and a sum of Rs. 558,893 as for entertainment had been mentioned in the vouchers. However, the particular work for which that entertainment expenditure incurred and the date had not been mentioned.
- (b) A sum of Rs. 255,387 had been spent as entertainment expenses for 12 sessions of the General Sabha Meetings during the year under review. Although lunch packets between 65 and 75 had been purchased approximately for each Sabha Session, it was not possible to determine the number of officers participated in the General Sabha Meeting, Total number of Members of the Sabha was only 22.

- (c) In the event of incurring expenses exceeding the aggregate Rs. 1,000 in any year in connection with any religious, charitable, cultural health, recreational or educational purpose, prior sanction of the Minister should be obtained in terms Section 132 (a) of the Pradeshiya Sabha Act No 15 1987. However, without obtaining such sanction, a sum of Rs. 79,280 had been spent out of Sabha Fund for entertainment works of the mobile service conducted by the Divisional Secretariat during the year under review.

### 3.2 Operational/Management Inefficiencies

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Following observations are made.

- (a) While a sum of Rs. 10,356,500 had been paid during the period from January 2010 to December 2014 for obtaining a chain loader on hire basis for leveling garbage collected daily by the Sabha, a feasibility study had not been made to buy a Chain loader or to get it on loan basis. However, a new road roller had been purchased by the Sabha for a sum of Rs. 9,016,253 on 23 July 2013. The necessity for the purchase of a chain loader had been ignored through purchase of a new road roller.
- (b) Consumable Stores Material Registers had not been maintained in compliance with 1988 Pradeshiya Sabha (Financial and Administrative) Rules 195 to 199.
- (c) A full survey with regard to Properties and a survey of all lands and buildings of the Sabha had not been carried out for the year 2014 in compliance with 1988 Pradeshiya Sabha (Financial and Administrative) Rules 203 ad 217.
- (d) Duties such as cash payment works of the Sabha, work relating to obtaining advances for supplies, purchase of goods from the advances obtained, settlement of those advances by submitting vouchers and functioning as store-keeper had been assigned to one particular officer indicating that there was no transparency. This was a contentious situation with regard to internal control.
- (e) Running Charts relating 23 vehicles belong to the Sabha had not been submitted to the Auditor General.
- (f) Out of 10 Water Tanks purchased for a sum of Rs. 107,000 on 20 February 2014 for welfare works, 04 Water Tanks had been in the hands of the Pradeshiya Sabha Members from that date to 25 February 2015, date of audit.
- (g) Out of 528 GI Pipes provided to the Sabha through the DiviNeguma Department during November 2014, only 87 pipes were available in the Sabha Hall as at 07 April 2015 date of Audit. Hall. Accordingly, there was a shortage of 441 GI Pipes. Receipts and issues of GI Pipes had not been recorded in stock books or any other register.

- (h) At the physical inspection carried out with the store-keeper on 24 February 2015, with regard to 06 items of stocks, there was a surplus of 283 units of stocks and a shortage of 76 units of stocks.

### **3.3 Official Residential Telephone Charges**

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Although the approval of the relevant Secretary to the Ministry should be obtained to reimburse telephone bills, in terms of Paragraph 2(v) in Public Finance Circular No.446 dated 01 September 2010, to make payments to Local Government Employees under this circular, further approval of the Governor should be obtained. However, without obtaining such approval, a sum of Rs. 19,110 had been paid out of the Sabha Fund for the residential telephone of the Secretary of the Sabha under the monthly limit of Rs.4,000 during the period from September 2014 to January 2015 up to the date of audit. In addition to this, a residential telephone had been provided to him having spent a sum of Rs.3,800 out of the Sabha Fund.

### **4. Systems and Controls**

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

- (a.) Accounting
- (b.) Financial Control
- (c.) Assets Management
- (d.) Human Resources Management
- (e.) Vehicles Control