

## **Balangoda Pradeshiya Sabha**

-----

### **Ratnapura District**

-----

#### **1. Financial Statements**

-----

##### **1.1 Presentation of Financial Statements**

-----

Financial Statements for the year under review had been submitted to the Auditor General on 17 March 2015 while Financial Statements relating to the preceding year had been submitted on 08 February 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabah on 29 June 2015.

##### **1.2 Opinion**

-----

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the financial position of the Balangoda Pradeshiya Sabah as at 31 December 2014 and financial results of its operation and cash flow for the year then ended.

##### **1.3 Comments on Financial Statements**

-----

###### **1.3.1 Accounting Deficiencies**

-----

- (a.) Accounts for Revenue and Expenditure of the year under review had not been maintained in the General Ledger.
  
- (b.) Value of 16 properties included in the Fixed Assets Register belong to the Sabha had not been assessed and disclosed in the accounts as the value of Land and

Buildings amounting to Rs.8,700,000 shown under Fixed Assets in the Statement of Financial Position as at 31December 2014.

- (c.) Although the value of balance of Hume Pipes as at 31 December 2013 according to the stores account ledger was Rs. 107,350, according to financial statements as at that date, it was Rs.48,746.

### **1.3.2 Accounts Receivable and Payable**

-----

Following observations are made.

- (a.) According to the Register of Advances, value of un-settled advances as at 31 December 2014 was Rs. 626,491.
- (b.) It had been failed to recover Lease Rent amounting to Rs. 11,390 which was being brought forward over a long period.
- (c.) Action had not been taken to recover Rs. 34,250 outstanding as rent of blocks of land in the area of Yakahalu Mukalana.
- (d.) Tax Money totalling Rs. 156,938 to be remitted to the Commissioner General of Inland Revenue had not been remitted even as at 31 December 2014 and had been withheld in the Sundry Deposits Account.

### **1.3.3 Non-compliance with Laws, Rules, Regulations etc.**

-----

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Circular No. IAI/2002/02 dated 28 November 2002 of the Secretary To the Treasury	- A Register of Fixed Assets had not been maintained for the Computers and Accessories valued at Rs. 552,174 belong to the Sabha.
(b.) Public Finance Circular No. PF-437 dated 18 September 2009	- Contrary to the requirements laid down in the Circular referred, a sum of Rs.74,988 had been paid to the Sri Lanka Insurance Corporation to insure a cab vehicle for a sum of Rs.6,390,000 belongs to the Sabha through an agent during the year under review.

## **2. Financial Review**

-----

### **2.1 Financial Results**

-----

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs. 2,657,594, as against excess of recurrent expenditure over revenue for the preceding year amounting to Rs.1,943,628 showing an improvement of Rs. 4,601,222 in the financial results for the year under review.

### **2.2 Analytical Financial Review**

-----

Overall increase in the Recurrent Revenue in a sum of Rs. 9,965,394 and decrease in sum of Rs.808,721 respect of Travelling Expenses and expenditure incurred on Supplies and Repairs and maintenance of Capital Assets over the preceding year had been the main reasons for the improvement in the above financial results.

## 2.3 Revenue Administration

---

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

---

Information furnished relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

<b>Item of Revenue</b>	<b>Balance as at 01 January</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative arrears as at 31 December</b>
	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates	111,450	35,000	36,750	109,700
(ii) Acreage Tax	248,566	514,702	514,880	243,388
(iii) Ground Rent	38,834	27,638	19,919	31,115
(iv) Rent of Stalls	3,360,721	6,000,000	5,982,835	3,343,556

Stalls Rent amounting to Rs. 24,567 was in arrears as at 31 December.

### 2.3.2 Court Fines

---

Court Fines receivable from April to December for the preceding year amounting to Rs.20,000 had not been received.

### 2.3.3 Stamp Fees

---

Action had not been taken to recover Stamp Fees amounting to Rs. 991,400 relevant to June, July and August months of 2012 up to 31 December 2014.

A deficiency of Rs. 942,399 was observed between the Stamp Fees to be received to the Sabha and the Stamp Fees Received.

### **2.3.4 Rates**

-----  
Balance of Rates in Arrears which was not able to be recovered to the Sabha as at 31 December 2014 was Rs. 343,389.

## **3. Operating Review**

### **3.1 J.C.B. Machine**

-----  
Although an income of Rs. 2,458,680 had been earned during the year 2014 by engaging the J.C.B. Machine in service, an expenditure amounting to Rs. 2,119,937 had been incurred by the Sabha for the maintenance of the Machine. Due to that, the net income earned by the Sabha from the Machine had been Rs. 338,743 only. Accordingly 86 per cent of the income earned had been incurred for maintenance of this Machine. A sum of Rs. 382,079 was in arrears as hire charges for the JCB Machine as at 31 2014.

### **3.2 Idle/Under-utilized assets**

-----  
Following matters are observed.

- (i.) Tractors and equipment received from Kalthota Agrarian Service Centre on 23 August 2010 had not been used for any purpose.
- (ii.) A concrete mixture belongs to the Sabah had been dismantled and parked.
- (iii.) The Gully Bowser belongs to the Sabah remained idle.
- (iv.) 134 Plastic Waste Bins purchased on 01 August 2014 kept in the stores without being used.
- (v.) The Motor Cycle bearing No. SG/JU/781 and the Tractor Vehicle No. 270-0264 had been dismantled and put it to a side.

### 3.3 Identified Losses

-----

Following stock shortages were observed at the physical verification carried out in the Stores during March 2015.

Particulars of Goods	Shortage	Value
-----	-----	-----
	Qty.	Rs.
Gauge 28 Aluminum Sheets	10	17,875
Child Chairs	25	9,625
Hume Pipes	13	92,815

### 3.4 Project Delays

-----

Following matters are observed.

- (a.) While the Pradeshiya Sabha had entered into agreements for Rs. 19,205,249 to execute 24 Works for which provisions amounting to Rs. 19,673,740 had been made available under Provincial Maga Neguma Programme, all Works were scheduled to be completed before 31 December 2014. While the value of work fulfilled in those Works was Rs. 5,558,322, the amount paid to the contractors for that was Rs. 3,981,015. Construction of these Works had been stopped.
  
- (b.) While provisions amounting to Rs. 2,600,000 had been made available under “From Door to Door, from Village to Village Programme”, agreements had been entered into with 08 Societies for a sum of Rs. 2,561,576 to fulfill 08 Works. While the value of work which should have been fulfilled by 31 December 2014 in these Works was Rs.918,537, it was observed at the physical inspection carried out on 01 March 2015 that the fulfillment of these Works had been stopped half way without any justifiable reasons.

#### **4. Accountability and Good Governance**

-----

##### **4.1 Budgetary Control**

-----

Provisions amounting to Rs. 3,566,000 had been transferred in 7 instances without sanction of the Sabha.

#### **5. Systems and Controls**

-----

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

- (a.) Budgetary Control
- (b.) Revenue Administration
- (c.) Assets Management