

**Beliaththa Pradeshiya Sabha
Hambantota District**

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 26 July 2016.

1.2 Opinion

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Beliaththa Pradeshiya Sabha as at 31 December 2015 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

The following accounting deficiencies are observed.

- (a) The expenditure payable for the year under review aggregating Rs.1,891,808 had been omitted in the financial statements.
- (b) The value of the Solid Waste Recycling Project stores room constructed and handed over to the Sabha during the year under review by spending Rs.871,942 had been omitted in the financial statements.

1.3.2 Lack of Evidence for Audit

The register and age analysis relating to arrears of vehicle hire aggregating Rs.1,027,679 registers of stock and schedules relating to field stock aggregating Rs.120,652 and the details of duties performed daily with regard to the expenditure aggregating Rs.844,340 incurred on the private vehicle of the ex-Chairman had not been furnished to audit.

1.3.3 Non – Compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with laws, rules and regulations detailed below were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non-Compliance
(a) Decision of the of Cabinet of Ministers No.15/Misc (051) dated 21 May 2015	A sum of Rs.186,400 had been spent from the funds of the Sabha on behalf of the Local Government Sports Festival of the Hambantota District contravening the said decision of the Cabinet of Ministers.
(b) Section 07 of the Public Administration Circular No.25/2014 dated 12 November 2014	Five employees had been recruited by the Sabha in contravention of the provisions. A sum of Rs. 322,445 had been paid as salaries and allowances during the period 24 November 2014 to 08 June 2015.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.2,189,127 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.264,134. Accordingly, an improvement of Rs.1,924,993 is shown in the financial results of the year under review.

2.2 Revenue Administration

2.2.1 Performance in collection of Revenue

The following matters are observed.

- (a) The total recurrent revenue billed for the year under review amounted to Rs.29,133,511. Of this total recurrent revenue a sum of Rs.20,388,415 had been recovered. The progress in recovery of revenue was 70 per cent.
- (b) The arrears of revenue at commencement of the year under review amounted to Rs.24,147,171. Of this, a sum of Rs.8,314,583 had been recovered during the year. The progress in recovery of arrears of revenue was 34 per cent.

2.2.2 Rates and Taxes

The arrears of rates and taxes as at end of the year under review amounted to Rs.1,156,379 as action had not been taken to recover the arrears of rates and taxes in terms of Section 158 (1) (a) of the Pradeshiya Sabha Act No.15 of 1987.

2.2.3 Lease Rent

The following matters are observed.

- (a) Twenty stalls of the Bandarawaththa Public Market and 25 stalls of the Library Building had been given on lease without following the open tender procedure and without selecting the lessees in accordance with proper acceptance of the Sabha and without assessing the stalls and collection of key money in terms of paragraphs 01,02 and 04 of the Circular of the Southern Commissioner of Local Government No. දපපා/පපාකො/2010/01 dated 27 December 2010.
- (b) The collection of key money totalling Rs.8,653,915 continued to be delayed even by 31 December 2015 in respect of 33 stalls given on lease during the period 2001 to March 2015 without the compliance of paragraph 04 of the circular

2.2.4 Revenue from Machinery

The following matters are observed.

- (a) The amount recoverable on hire charges of the Becko machine, motor grader, lorry bowser and galie bowser of the Sabha during the previous years aggregated Rs.1,027,679 and the amount for the year under review aggregated Rs.42,800. But, action had not been taken to recover the arrears of revenue.
- (b) Out of the arrears relating to the previous years referred to at (a) above, a total sum of Rs.75,350 was due from those employed in the Sabha and from the members.

2.2.5 Court fines and Stamp fees

Court fines amounting to Rs.224,960 and stamp fees amounting to Rs.11,914,011 were receivable from the Chief Secretary of the Sabha and other authorities as at 31 December 2015.

3 **Operating Review**

3.1 **Irregular Transactions**

A sum of Rs.94,670 had been spent from the funds of the Sabha to supply entertainment materials for the seminar conducted for the 2014 A.L and O.L examinations, without obtaining the prior written approval of the Minister in terms of Section 132 (j) of the Pradeshiya Sabha Act No.15 of 1987.

4 **Good Governance and Accountability**

4.1 **Budgetary Control**

The entire provision made for 05 expenditure items in the budget for the year under review totalling Rs.3,325,000 and a total sum of Rs.80,528,736 of 05 others objects had been saved while the expenditure made in excess of the limit of an expenditure item amounted to Rs.3,123,472 and the targets not achieved in respect of 02 revenue items amounted to Rs.84,210,859. As such, it was observed that the budget had not been utilized as an effective instrument of management control.

4.2 **Assets Management**

The following matters are observed.

(a) **Idle and under utilized Assets**

The production activities of Coir Mill Project and the production activities of the factory producing stone blocks belonging to the Sabha had become inoperative from February 2014 and June 2015 respectively. As such, the assets of those projects remained idle.

(b) **Assets given to Outsiders**

Fourteen Lap Top Computers purchased by spending Rs.1,048,600 from the funds of the Sabha during the previous year had been handed over to members of the Sabha. The laptop computer handed over to the ex- Chairman of the Sabha had not been returned to the Sabha till 11 April 2016.

(c) **Assets not Acquired**

Action had not been taken, even by end of the year under review, to acquire the registered rights of 3 cabs, a galie bowser, a motor grader, a tractor and a trailer used by the Sabha.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contract Administration