

Bentota Pradeshiya Sabha

Galle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review and the preceding year had been presented to audit on 30 March 2016 and 31 March 2015 respectively. The report of the Auditor General for the year under review had been sent to the Secretary of the Sabha on 22 November 2016.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Bentota Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Accounting policies followed in accounting had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The value of 10 multi-functional mobile canopy's received from the Ministry of Provincial Councils and Regional Development in the previous year and 04 items of goods costing Rs.52,450 had not been brought to accounts.
- (b) The contribution of Rs.4,467,185 payable to the Local Government Pensions Fund as at end of the year under review had not been brought accounts.

- (c) The fixed deposit interest income of Rs.129,007 receivable for the year under review had been credited to the accumulated fund without accounting under revenue receivable.
- (d) The expenditure of Rs.13,200 incurred for the supply of equipment to a pre-school in the previous year had been credited to a deposit account.
- (e) The sum of Rs.64,662 receivable for no-pay leave of 165 1/2 days from the officers and employees of the Sabha as at 31 December of the year under review had not been brought to accounts.

1.3.3 **Unreconciled Control Accounts**

There were differences totaling Rs.142,044 between the balances of 4 items of accounts shown in the financial statements totaling Rs.5,983,250 and the related subsidiary books and records thereto.

1.3.4 **Accounts Receivable**

Action had not been taken to settle 8 works debtor balance, totaling Rs.2,666,539 brought forwarded since 2011, stamp fees totaling Rs.3,041,036 brought forward since 2001, normal advances of Rs.159,278 given in 15 instances and brought forward since 1993 even in the year under review.

1.3.5 **Accounts Payable**

Action had not been taken to settle 17 creditors balances totaling Rs.3,457,981 brought forward without being changed since 1991 even in the year under review.

1.3.6 **Lack of Evidence for Audit**

Due to non-remission of updated register of fixed assets prepared in terms of classes of assets in respect of Land and Buildings, Plant and Machinery, Motor Vehicles and Carts, Furniture and Fittings and Library Books totalling Rs.116,438,448, Stock books in respect of stock in hand totaling Rs.1,368,902 and age analysis of Staff loans and refundable deposits totaling Rs.12,824,846 they could not be satisfactorily verified in audit.

1.3.7 **Non-compliance with Laws, Rules Regulations and Management Decisions**

Action had not been taken in respect of 13 deposit balances totaling Rs.8,752,987 elapsed for more than 02 years as at the end of the year under review, in terms of Financial Regulations 570 and 570(1)(2) of the Republic of Sri Lanka.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, to audit the recurrent expenditure over revenue for the year ended 31 December 2015 amounted to Rs.12,950,972 as compared with the revenue over recurrent expenditure for the preceding year amounted to Rs.6,445,200. As compared with the preceding year an improvement of Rs.6,505,772 was indicated in the financial results of the year under review.

2.2 **Analytical Financial Review**

- (a) Although the recurrent expenditure of the year under review had decreased by 7 per cent as compared with the preceding year, the recurrent expenditure had represented 80 per cent of the recurrent revenue and as such the expenditure as compared with the revenue had been at a high level.
- (b) Particulars of revenue grants, self-operating revenue and recurrent expenditure in the year under review and the preceding 2 years are given below.

Year	Total capital revenue	Revenue grants	Self-operating revenue	Total recurrent expenditure	Recurrent expenditure over self-operating revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	66,450,443	32,265,112	34,185,331	53,499,471	19,141,140
2014	49,126,583	19,812,244	29,314,339	42,681,382	13,367,043
2013	44,422,879	15,036,688	29,386,191	38,962,953	9,576,762

The following observations are made in this regard.

- (i) Receipt of revenue grants during the year under review and the 2 preceding years and the self-operating revenue in the year under review as compared with the preceding years had improved.
- (ii) The recurrent expenditure of the Sabha had gradually increased at high values but the attention of the Sabha in that regard had not been paid by controlling expenditure.
- (iii) Although the recurrent expenditure of the Sabha had increased at considerably high values every year in excess of the self-operating revenue the attention of the Sabha had not been paid to improve the revenue.
- (iv) It was further indicated that without getting revenue grants, the Sabha could not be able to cover up the recurrent expenditure under any circumstance.
- (v) It is the view of audit that the attention of the Sabha has to be paid in respect of issues stated in (i) to (iv) above and to increase the revenue of the Sabha and a proper procedure thereon has to be prepared and implemented, otherwise a problematic situation might arise on the going concern as a result of the prevailing weak financial control system.

2.3 **Revenue Administration**

2.3.1 **Rates**

Only 69 per cent of the arrears of Rs.3,420,941 existed as at the end of the year under review and the billed amount of Rs.8,243,766 had been recovered during the year under review. The arrears of rates as at the end of the year under review amounted to Rs.3,561,119. Action had not been taken to recover the taxes in arrears in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.2 **Acreage Tax**

Arrears as at the beginning of the year under review amounted to Rs.132,114 and including the billed amount of Rs.145,615 during the year, only a sum of Rs.3,589 or as low as 2 per cent had been recovered during the year under review. However, the attention of the Sabha had not been paid to recover the arrears of taxes in terms of section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.3 **Lease Rental**

Out of the arrears of Rs.74,697 existed as at the beginning of the year under review and the billed amount of Rs.436,857 during the year, only 88 per cent had been recovered during the year under review. Action had not been taken to recover the arrears of rents in terms of section 159(1) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.4 **Lisence Fees**

Out of the arrears of Rs.74,625 existed as at the beginning of the year under review and the billed amount of Rs.758,250, 94 per cent had been recovered during the year under review. Action in terms of section 152(4) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover the arrears.

2.3.5 **Court Fines and Stamp Fees**

Sums of Rs.53,832 and Rs.8,474,283 were receivable from the Chief Secretary of the Provincial Council and other authorities as court fines and stamp fees respectively as at 31 December 2015.

3. **Operating Review**

3.1 **Management Inefficiencies**

The following matters were observed.

(a) **Personnel Management**

Two vacancies existed in the approved posts included in the personnel plan and the excess cadre stood at 16. Action had not been fill the vacant posts and to regularize the excess cadre.

(b) **Board of Survey of goods**

Action had not been taken to write off the value of 314 units of goods costing Rs.70,005 from books which had not been established the physical existence in the Stock of works as at the end of the year under review according to the Board of Survey reports.

(c) **Staff Loans**

The staff loan balance of Rs.3,909,053 existed as at the end of the year under review had included loan balances of Rs.91,624 due from officers who had retired vacated their posts and deceased. Steps had not been taken to recover those outstanding balances.

3.2 **Operating Inefficiencies**

The following matters were observed.

- (a) According to the gazette notification No.1597/8 dated 17 April 2009 of the Director General of the Urban Development Authority. It was stated that the certificate of conformity should be obtained for every telecommunication post. Had it not been obtained, a fine of Rs.50 per day should be recovered. However, conformity charges and fines amounting to Rs.49,000 had not been recovered for 8 posts used in the year under review.
- (b) As only the salaries of the permanent staff are reimbursed by the Commissioner of Local Government, a sum of Rs.1,752,265 had to be spent for the payment of salaries and allowances of employees who had been recruited by the Sabha from the revenue of the Sabha.

3.3 **Waste Management**

A play ground faced to the main road near the Sabha had been used to dispose of garbage belonging to the Sabha and this garbage had not been graded or subjected to re-cycling. The spot check carried out on 08 February 2016 revealed that as action had not been taken to close down disposed garbage, stink had spread within the entire area and badly affected the environment as well.

4. **Good Governance and Accountability**

4.1 **Budgetary Control**

Due to the existence of savings of the entire provision in 2 expenditure objects totaling Rs.954,025 included in the budget of the year under review, expenditure of Rs.5,603,995 in another 5 expenditure objects incurred exceeding limits, targeted revenue of Rs.20,507,374 in 5 revenue items which was not reached and the existence of revenue totaling Rs.2,648,727 exceeding the target in another 5 revenue items, the budget had not been made use of as an effective instrument of management control

4.2 **Internal Audit**

An internal audit had not been carried out in terms of circular No.දපසා/යන/01/න.ව.ළේ dated 24 February 2014 of the Commissioner of Local Government. (Southern Province) However, a sum of Rs.422,847 had been paid to an Internal Audit Officer recruited by the Sabha as salaries and allowances during the year under review.

4.3 **Audit and Management Committee**

Action had not been taken to establish the audit and management committee in terms of Management Audit Circular No.DMA/2009(i) dated 09 June 2009 even in the year under review.

4.4 **Assets Management**

Idle and underutilized assets

The following observations are made.

- (a) Action had not been taken to repair and use or to dispose of 4 motor vehicles existed in the Sabha which were not assessed and 2 motor vehicles costing Rs.1,540,000 which were not used for running, in terms of Public Finance Circular No.2/2015 dated 10 July 2015.
- (b) As the gally bouser fixed to the Tractor given by the Ministry of Provincial Councils and Local Government and the trailor had been parked in the premises of the Sabha without being used and it had become non usable position without being repaired.

5. **Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Human Resources Management