

Beruwala Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 01 July 2016 while Financial Statements relating to the preceding year had been submitted on 20 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 26 July 2016.

1.2 Qualified 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 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

Following deficiencies are observed.

- (a) The sum of Rs. 183,285 receivable as Trainee Allowance for the year under review from the Local Government Department had not been shown in the financial statements. Due to that; revenue for the year and Allowances Receivable had been understated to that extent.
- (b) Capital Grants of Rs. 2,072,096 receivable to the Sabha under the National Program for Strengthening Pradeshiya Sabha as at 31 December 2015 had not been shown in the financial statements.
- (c) The amount payable on account of the National Program for Strengthening Pradeshiya Sabha as at the end of the year under review had been overstated in a sum of Rs. 189,678 in the financial statements.

1.3.2 Contingent Liabilities

Although Fixed Deposits valued at Rs. 575,000 belong to the Sabha had been kept as security for overdraft facilities obtained from the main current account, that fact had not been disclosed in the financial statements.

1.3.3 Non-reconciled Control Accounts

When balances relevant to 11 items of accounts amounting to Rs. 268,077,598 shown in the financial statements are compared with the balances in the schedules relevant to those, overstatements amounting to Rs. 182,538,560 and understatements amounting to Rs. 18,196,728 were observed.

1.3.4 Lack of Evidence for Audit

Seven items of accounts totaling Rs. 152,563,001 could not be satisfactorily vouched in audit due to non-remission of letters of confirmation of balances, updated Register of Fixed Assets and detailed schedules.

1.3.5 Accounts Receivable and Payable

Following matters are observed.

- (a) While the total of balances which exceeded 05 years included in the Refundable Deposits amounting to Rs. 6,320,805 at the end of the year under review were Rs.272,931, action in terms of Financial Regulation 571 of the Republic of Sri Lanka had not been taken with regard to those deposits.
- (b) The balance receivable for maintenance of street lamps amounting Rs. 6,351,534 which is being brought forward during a number of years had not been recovered even up to the end of the year under review.

1.3.6 Non-compliance with Laws, Rules, Regulations etc.

Following non-compliances with Laws, Rules, and Regulation etc. are observed in audit.

(a) Financial Regulations of the Republic of Sri Lanka

- (i) Although an advance granted for a particular work should be settled immediately after completion of that work in terms of Financial Regulation 371(a) advances amounting to Rs. 425,880 granted up to the year 2014, had not been settled even as at 10 June 2016, date of audit.
- (ii) Action in terms of Financial Regulation 396(d) had not been taken with regard to 17 cheques amounting to Rs. 1,692,901 issued, but not presented for payment to the bank during a period exceeding 06 months.

(b) Circulars

A separate Register of Fixed Assets had not been maintained in terms of Treasury Circular No. IAI/2002/02 dated 28 November 2002 with regard to computer accessories and software.

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 2015 had been Rs.10,418,071 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 29,377,302 in the preceding year.

2.2 Financial Control

Although a proper financial control should be maintained in terms of Financial Regulation 128 of the Republic of Sri Lanka, it had not been complied with resulting in an overdraft of Rs. 4,775,585 in the current account No. 2757387 of the Sabha as at 31 December 2015, while an overdraft interest amounting to Rs. 21,655 had been paid during the year under review by the Sabha.

2.3 Revenue Administration

2.3.1 Arrears of Revenue

Arrears of Revenue totaling Rs. 15,435,899 at the end of the year under review had not been recovered in terms of provisions in Sections 158 and 159 in the Pradeshiya Sabha Act No. 15 of 1987.

2.3.2 Rates

- (a) While the balance of Rates in arrears being brought forward since the year 2014 and period prior to that was Rs. 12,733,368, out of those arrears, a sum of Rs. 9,224,376 was due to be recovered as at the end of the year under review.
- (b) While a sum of Rs. 8,147,937 had been billed as Rates for the year under review, out to that a sum of Rs. 2,561,586 was due to be recovered as at the end of the year.

2.3.3 Stalls Rent

While the balance of Stalls Rent in arrears as at 31 December 2014 was Rs. 1,829,330 out of that a sum of Rs.1, 283,505 was due to be recovered as at the end of the year under review.

2.3.4 Industrial Tax

Action had not been to recover Industrial Tax balance in arrears amounting to Rs. 14,999 even as at December 2015, which is being brought forward since the year 2014.

2.3.5 Court Fines and Stamp Fees

A sum of Rs. 61,448,668 was due to be received from the Chief Secretary to the Provincial Council and other authorities as shown below.

	Rs.
Court Fines	25,297,329
Stamp Fees	36,151,339

2.3.6 Tax on Land Sales

In terms of Section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, 1 percent of the selling price of lands auctioned in the area of authority of the Sabha should be obtained by the Sabha. While a sum of Rs. 212,980 had been obtained from 64 land sales during the year 2015 as 1 percent of the gross estimate prepared by the Revenue Overseer of the Sabha, action had not been taken to recover the balance amount after adjusting the difference between the gross estimate and the market sales value.

2.3.7 Charges for Publicity Advertisements

Although charges should be recovered as indicated in the schedule with regard to erection and display of publicity advertisements within the Pradeshiya Sabha limits, according to the notification of the Beruwala Pradeshiya Sabha published in the Gazette No. 1889 dated 14 November 2014 of the Republic of Sri Lanka, at the sample physical inspection carried out in audit on 06 October 2015 it was observed that , action had not been taken to recover charges to for 37 publicity advertisements / name boards and that the revenue loss occurred to the Sabha due to that had been Rs. 117,775.

3. Operational Review

3.1 Operational Inefficiencies

Folowing matters are observed.

- (a) While value of 426 books not returned back by the members of the lending sections of the libraries maintained by the Sabha amountead to Rs. 57,189, action had not been taken to get back those books or to recover the value of those.
- (b) Although 1357 books and 209 books valued at Rs. 40,045 and Rs. 15,120 totaling as Rs. 55,165 in the Aluthgama and Payagala Libraries respectively had been misplaced, the Sabha had not taken any course of action in that connection even up to the end of the year under review.

- (c) Belvan Tractor received to the Sabha from the Ministry of Distress Management during the year 2008 was in use without being registered.

3.2 Idle Assets

Following matters are observed.

- (a) The Tar Boiling Machine valued at Rs. 1,999,850 purchased during the year 2006 had been defunct from date of purchase without using for any work from the date of purchase.
- (b) It was observed in audit that a Double Cab Vehicle, a Hand Tractor, a Three Wheeled Vehicle and a J.C.B. Machine belong to the Sabha had been kept idle without being repaired or used.
- (c) It was observed in audit that 30 trade stalls belong to the Sabha had been kept idle without being given on lease or earning any income during about 15 years.

4. 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.