

Bulathsinhala 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 30 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 22 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 Bulathsinhala 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 Cab Vehicles valued at Rs. 3,232,282 received as a donation from the Local Government Department during the year 2015, the Truck Vehicle valued at Rs.6,009,602, the Hand Cart valued at Rs. 25,100 and the Garbage Cart valued at Rs. 25,100 purchased during the year under review had not been capitalized. Due to that; Motor Vehicles and Carts Account and the Contributions from Revenue to Capital Outlay account had been understated in a sum of Rs.9,292,084.
- (b.) Although the amount payable to the Director General of Pensions as 31December 2015 was Rs.2,993,928, it had been shown as Rs. 1,260,918 in the financial statements. Due to that; amount payable had been understated in a sum of Rs.1,733,010 in the financial statements. The pension contribution of the year under review too had been understated in a sum of Rs. 31,010 in the Revenue and Expenditure account.
- (c.) While a sum of Rs. 6,670,809 had been estimated as Stamp Fees Revenue for the year under review in the financial statements, out of that, any amount had not been received during the year under review. Although the Stamp Fees Receivable as at as at 31 December 2015 should be Rs. 6,670,809, it had been shown as Rs. 3,181,358 in the financial statements. Accordingly, Stamp Fees Receivable had been understated in a sum of Rs. 3,489,451 in the financial statements.

- (d.) Although the Capital Grant relevant to the year under review was Rs. 12,584,755 it had been shown as Rs. 13,293,998 in the financial statements. Due to that; Capital Grants for the year under review had been overstated in a sum of Rs. 709,173.
- (e.) Although the Work Debtors balance as at as at 31 December 2015 was Rs. 36,920,159, it had been shown as Rs. 37629,332 in the financial statements. Due to that; The Work Debtors balance too had been overstated in a sum of Rs. 709,173.
- (f.) Although the Capital Expenditure relevant to the year under review should be Rs. 12,651,351, it had been shown as Rs. 12,487,441 in the financial statements. Due to that; Capital Expenditure for the year under review had been understated in a sum of Rs. 163,910.
- (g.) Although the Work Creditors balance as at as at 31 December 2015 was Rs. 5,913,718, it had been shown as Rs. 5,498,827 in the financial statements. Due to that; Work Creditors balance had been understated in a sum of Rs. 414,891.

1.3.2 Non-reconciled Control Accounts

While balances relevant to 03 items of accounts according to financial statements was Rs.252,655, the total of balances in the schedules relevant to those had been Rs.277,924. Accordingly a difference of Rs.25,269 was observed.

1.3.3 Suspense Accounts

Debit balance of Rs. 2,534,272 in the suspense Account at the end of the year under review had not been settled.

1.3.4 Lack of Evidence for Audit

Any evidence was not made available to audit to confirm Court Fine Receivable amounting to Rs.7,399,960.

1.3.5 Non-compliance with Laws, Rules, Regulation etc.

Following matters are observed.

- (a.) A Register of Fixed Assets had not been maintained with regard to Computers and Accessories as per Treasury Circular No IAI/2002/02 dated 28 November 2002.
- (b.) Although an advance granted for a particular work should be settled immediately after completion of that work in terms of Financial Regulation 371(a), action had not been taken to settle an advance balance amounting to Rs. 48,795 even as at 30 May 2016, date of audit.

- (c.) A complete annual survey had not been carried out in terms of Financial Regulation 1647
(b) with regard to vehicles and equipment in those, belong to the Sabha.

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.11,649735 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.3,672,077 in the preceding year.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue totaling Rs. 901,648 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.

2.2.2 Rates

While the Rates Billings during the year under review were Rs.2,052,880, out of those a sum of Rs. 1,410,217 or 64 percent had been recovered.

While Rates in arrears as at the beginning of the year under review amounted to Rs.131,010, out of that a sum of Rs.15,437 or 12 percent had been recovered. Total arrears as at the end of the year amounted to Rs.758,136.

2.2.3 Acreage Tax

While there was balance of Acreage Tax amounting to 104,083 relevant to years prior to the year 2015 and a balance of Rs. 36,379 in arrears relevant to 92 rates units out of billings for the year amounting to Rs. 45,000, action had not been taken to recover those amounts even as at 28 January 2016, date of audit.

2.2.4 Court Fines and Stamp Fees

A sum of Rs. 11,058,683 was due to be received from the Chief Secretary to the Provincial Council and other authorities as shown below.

	Rs.
Court Fines	7,877,326
Stamp Fees	3,181,357

3. Operating Review

3.1 Management Inefficiencies

- (a.) Fines amounting to Rs.18,878 had been paid due to delay in payment of interest and installments to the Local Loans and Development Fund.
- (b.) Action had not been taken even as at 31 December 2015 to recover the loan balance of Rs.176,803 granted to 11 officers who had vacated service, deceased, and retired.

3.2 Operational Inefficiencies

- (a.) While a Finger Marks Machine had been purchased for a sum of Rs. 123,500 on 26 February 2008 to record arrival and departure of officers of the Sabha, this machine had been defunct and had been taken out for repairs on 08 May 2013. Although the Sabha had paid the estimate sum of Rs. 54,264 for repairs on 15 February 2014, action had not been taken get back the machine to the Sabha up to 20 January 2016.
- (b.) While a sum of Rs. 22,800 had been paid to a private entity for repairing the cab vehicles out of the Sabha Fund on 07 December 2015, action had not been taken to identify the parties responsible and recover that amount.
- (c.) While 68 books valued at Rs.17,015 in the Bulathsinhala Public Library and 09 books valued at Rs.1,495 in the Polegoda Public Library had been misplaced according to the survey carried out during the year 2014, action had not been taken to make recoveries from the officers responsible with regard to those books misplaced.

3.3 Payment of Uniform Allowance

- (a.) Although an annual allowance of Rs. 4,000 should be paid with effect from 01 January 2013, in lieu of Uniform and Tailoring Allowance given to drivers and officers of the Office Employees Service up to now, in terms of Public Administration Circular No.05/2013 (a) dated 22 April 2013, contrary to those circular instructions, uniforms had been provided having spent a sum of Rs.183,215.
- (b.) In the event of non-wearing uniforms by employees in receipt of uniform allowance during duty hours as mentioned in paragraph (b) of the above circular, the Heads of Institutions should ensure in taking action in terms of provisions in Public Administration Circular No. 27/91 dated 07 August 1991. However, at the physical inspection carried out on 27 January 2016 it was observed that the officers who need to wear uniforms and obtained uniforms are wearing uniforms only on the public days.

3.4 Improper Transactions

While the Ayurvedic Doctor in service of the Sabha had been attached to the Panadura Pradeshiya Sabha for two days, a sum of Rs. 422,592 had been paid through the Sabha as salaries for serving in the Sabha with effect from May 2015, although there was no Ayurvedic Dispensary under the Sabha.

3.5 Human Resources Management

Details relating to approved and actual cadre of the Sabha as at 31 December 2015 were as shown below.

Category of Employees	Approved	Actual	Vacant
Staff	3	3	--
Secondary	36	32	4
Junior	117	115	2
	-----	-----	-----
	156	150	06
	=====	=====	=====

Although there were 06 vacancies in the Sabha cadre, provisions had not been made to convert the actual cadre as the approved cadre of the Sabha.

3.6 Contracts Administration

While an agreement for Rs. 1,500,000 had been entered into for concreting a part of the Tiriwanaketiya Watta, Mahagam Estate, Ihala Welgama Sinkeness Watta Road to a length of 265 meters and to a width of 2.74 meters, a sum of Rs. 31,855 had been paid for bulge joints. At the physical inspection carried out on 27 January 2016 it was observed that the bulge joints placed had been at distances of 32, 30 meters etc. It was observed that there were fractures in two places of the road surface.

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
- (e.) Contracts Control