

Beruwala Pradeshiya Sabha

Kalutara District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 24 March 2017 and the financial statements for the preceding year had been presented on 01 July 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position as at 31 December 2016 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

The following observations are made.

- (a) The interest due on the fixed deposit bearing Account No. 80034064 for the year under review amounted to Rs. 31,068. This had not been brought to account and as such the interest income and the income receivable had each been understated Rs. 31,068.
- (b) Three commemoration plaques amounting to Rs. 37,500 had been included in the Machinery and Machinery Equipment Account instead of being included in the Furniture, Fittings and Office Equipment Account.

1.3.2 Lack of Evidence for Audit

Transactions aggregating Rs. 209,903,285 could not be satisfactorily vouched in audit due to non rendition of necessary information for audit.

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 2016 amounted to Rs. 37,319,213 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 10,418,071. Accordingly, an improvement in financial results amounting to Rs. 26,901,142 was observed during the year under review as compared with that of the previous year.

Increase in revenue by Rs. 39,269,847 and the increase in expenditure amounting to Rs. 12,368,705 had mainly attributed to the improvement in financial results by Rs. 26,901,142.

2.2 Financial Control

Obtaining overdrafts from any bank account is prohibited. However, action had been taken in contrary to this. As a result, the overdraft in the Current Account No. 2757387 of the Sabha as at 31 December 2016 amounted to Rs. 1,035,605. The interest on overdrafts paid during the year under review and the previous year in this connection amounted to Rs. 25,566 and Rs. 21,655 respectively.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appear below.

| Item of Revenue | Estimated | Actual | Accumulated Arrears as at 31 December |
|------------------------|------------------|---------------|--|
| ----- | ----- | ----- | ----- |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| Rates and taxes | 16,090 | 10,262 | 13,161 |
| Lease rent | 15,714 | 14,345 | 3,599 |
| Licence fees | 2,473 | 2,473 | - |
| Other revenue | 159 | 157 | 02 |

2.3.2 Rates and Taxes

- (a) The balances of outstanding rates and taxes existing from 2015 and years prior to it amounted to Rs. 14,099,099. Of these, a sum of Rs. 5,795,005 representing 41 per cent only had been recovered during the year under review.
- (b) The amount billed for the year was Rs. 12,032,043. Of this, a sum of Rs. 7,709,507 representing 64 per cent only had been recovered during the year under review.
- (c) The outstanding rates and taxes as at 31 December 2016 amounted to Rs. 12,626,630. A sum of Rs. 3,487,907 due from 4190 units for 01 to 03 years, a sum of Rs. 3,124,342 due from 2388 units for 03 to 05 years, a sum of Rs. 4,018,877 due from 2813 units for 05 to 10 years and a sum of Rs. 1,350,011 due from 1105 units for over 10 years had been included in this. The Sabha had not taken proper action to recover this amount.
- (d) The Sabha had not prepared proper procedures to recover rates and taxes. The Dharga Town sub office alone had issued notices to recover arrears of taxes.

2.3.3 Recovery of Licence Fees from Telecommunication Towers

The Payagala sub office had not recovered the licence fees of Rs. 24,000 for the year 2016 on behalf of 08 telecommunication towers.

2.3.4 Court Fines and Stamp Fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016 appear below.

| | Rs. |
|-----------------|------------|
| (i) Court Fines | 31,830,011 |
| (ii) Stamp Fees | 50,509,153 |

3. Operating Review

3.1 Operating/ Management Inefficiencies

(a) Library Books not Returned by Readers

The value of 215 books obtained by readers from libraries maintained by the Sabha and not returned by 03 February 2017 amounted to Rs. 29,097. These were books issued before June 2015.

(b) Public Complaints (Aluthgama Sub Office)

- (i) A register for public complaints had been maintained for problems relating to health. Five complaints had been registered in 2016 and those complaints had been handed over to the inspector of health. But, its progress had not been noted in the register.
- (ii) Although there was a register for public complaints regarding electricity complaints alone had been noted in it and the progress had not been noted.
- (iii) A separate register had not been maintained for general complaints. All letters received from the head office had also been entered in the existing register.

(c) **Control over Vehicles**

- (i) Information regarding the tractor belonging to the Sabha had not been furnished to audit. The Sabha had failed to show the place where it lies.
- (ii) The following matters were observed while verifying the log book of the crew lab belonging to the Sabha.
- Consumption of fuel by the vehicle had not been tested.
 - Mention had not been made regarding the annual licence, books and additional equipment
 - Particulars of repairs were absent
- (iii) According to the test checks regarding log books of vehicles, many log books remained incomplete. There were instances where particulars relating to vehicles, consumption of fuel, repair activities, replacement of tyres and tubes, servicing of vehicles and other information had not been entered in them.

(d) **Tourism Development Tax**

- (i) Instances were observed where recoveries made from 06 institutions relating to tourism development tax had not been based on financial statements audited by an accepted audit institution.
- (ii) The amount paid by the Lanka Princess Hotel as tourism development tax, being 1 per cent of the income for the period January to June 2014 was Rs. 3,798,665. However, the one per cent tax paid for 2014 was only 98,805 and the amount paid in 2016 was only Rs. 95,382.

(iii) According to the final accounts 2013/2014 of the Laluna Hotel, the one per cent tax recoverable for 2015 amounted to Rs. 140,852. However, a sum of Rs. 49,257 only had been recovered. As such, a sum of Rs. 91,635 had been recovered less. According to the financial statements 2014/2015, the tax recoverable for 2016 amounted to Rs. 182,500. However, a sum of Rs. 69,330 had been recovered and the amount recovered less amounted to Rs. 113,190.

(iv) Sale of food alone had been taken into consideration while recovering the one per cent tax for 2016 from the Cinnamon Bay Hotel.

(e) **Rent of Stalls**

Twenty seven stalls of the Aluthgama Trade Complex belonging to the Sabha remained idle for about 15 years without any income being earned.

(f) **Stamp Fees**

There was delay in recovering stamp fees due from the Land Registry.

(g) **Supply of Equipment on Personal Request**

There were instances where many water filled tanks and chairs had been supplied by the Sabha on personal requests (correctly notifying/ not notifying the necessity). Instances of lack of proper authority, lack of registration of items and lack of items being returned were observed.

(h) **Construction of Stalls in places where week –end fairs are held**

Stalls had been demolished and modernized in 2013 with the financial aid of non governmental organizations at places where week-end fairs had been held.

The following observations are made in this connection.

(i) Only 7 stalls remained opened even during the existence of old stalls.

(ii) Only 05 stalls had been opened by 03 February 2017.

- (iii) It was observed that rent had not been recovered from all these stalls.
- (iv) Proper toilet facilities were not available.
- (v) The stalls had not been designed to face the road so that it could be beneficially used.

(i) **Land for Auction**

- (i) The extent of land entitled for general activities of the Sabha due to sale of blocks of land named Bulugahalanda Estate was 1 acre and 22 perches. This land could not be used for general activities as it was sloping.
- (ii) Name boards had not been installed to confirm the ownership of the Sabha in the portion of land obtained by the Sabha during auctioneering.

Land

Auctioneer

| | | |
|--------------------------|----------------------|----------------------------------|
| Survey Plan No. 243/2016 | Bulugahalanda Estate | Wise Property Solution Institute |
| Survey Plan No. 6702 | -do- | Prime Land (Pvt) Ltd. |

- (iii) Poles had not been erected to separate the above land obtained by the Sabha during the course of auctioneering.

3.2 Idle Assets

The machine used for boiling tar obtained in 2006 remained idle up to now since the date of receipt. An advance of Rs. 869,500 had been paid on 22 September 2006 in this connection.

3.3 Transactions of Contentious Nature

The following matters were observed with regard to the lease of building at No. 290, Galle Road belonging to the Beruwela Pradeshiya Sabha.

- (a) This building had been given on a monthly lease of Rs. 30,000 on a decision made by the Sabha, deviating from the Procurement Procedures. As such, while comparing the rent of other stalls in the area, the Sabha had missed the opportunity of a higher lease rent by calling for competitive bids.
- (b) The lease granted at the first instance was for 2 years, that is, from 01 December 2011 to 01 December 2013. The Chairman had granted approval to give it on lease again at the rate of Rs. 33,000 per month for 03 years on the basis of an assessment report of the Revenue Inspector. A decision of the Sabha had not been made in this regard.
- (c) The lease period was due to expire on 01 December 2016. As such, tenders had been called for, to give it on lease by publishing newspaper notifications. Accordingly, the Ayurveda Corporation had consented to obtain it on lease at a monthly rent of Rs. 60,000. However, the previous lessee had not taken action to hand over the building even by February 2017.

3.4 Contract Administration

About 150 metres of the road at the entrance of the Munghena Road of Maggona – Kumarakanda belonging to the Beruwala Pradeshiya Sabha was in a very dilapidated condition. Action had not been taken to renovate the road.

4. Systems and Controls

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

- (a) Revenue Administration
- (b) Budgetary Control
- (c) Control over Vehicles
- (d) Internal Audit