

**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 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 26 September 2017.

1.2 Qualified 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 2016 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

Provision for Industrial creditors for the year under review has been overstated by Rs.47,857 and provision for creditors has not been made for the expenditure amounting to Rs.46,059.

1.3.2 UnReconciled Control Accounts.

Differences totaling Rs.516,947 had been observed between the balances of 03 items of accounts appearing in the financial statement and related books and schedules.

1.3.3 Accounts receivables and payables.

The following matters are observed.

(a) Accounts receivable

- (i) Action had not been taken even during the year under review to settle industrial funds balance of Rs.9,419,864 which is coming from 2011.
- (ii) Action had not been taken to recover long outstanding vehicle rent income balance of Rs.1,175,689 coming from 2013.
- (iii) Action had not been taken to recover the fair tax and staff loan balance of Rs.519,632 which was related to the years of 1997 – 2000.

(b) Accounts Payable

- (i) Action had not been taken to settle the loan installments and interest payable for the year 2012 amounting to Rs.752,511 which was from the loan of Rs.8MN obtain for baco machine from the local loan development fund.
- (ii) Long outstanding industrial creditor balance of Rs.4,702,025 coming from 2011-2015 and expenditure creditor balance of Rs.5,389,823 had been included in creditor balance amounting to Rs.21,911,377 as at the year under review. Further more the expense amounting to Rs.4,942,100 which was payable to director of pension had been included in that balance.

1.3.4 Lack of Evidence for Audit

Schedules, updated register of fixed assets and verification reports relating to land and buildings, machinery and equipment, vehicles and carts, furniture and fittings totaling to Rs.247, 838,588 balance confirmation letters for the local loan development fund amounting to Rs.16, 968,087 , updated deposit register for the deposits amounting to Rs.13,936,026. Schedules and age analysis for the areas vehicle rent amounting to Rs.1, 040,799, register of court case for the receivables from legal cases charged amounting to Rs.519,632 registers of stock and schedules relating to field stock aggregating Rs.120,652 had not been furnished. As such, these could not be satisfactorily examined in audit.

1.3.5 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) Pradeshiya Sabha regulations (Finance and Administration) of 1988

Regulation 193

Action had not been taken to submit a statement which describing the expenses and shortages in each revenue and expenditure items comparing budgeted financial provisions with supplementary.

- (b) Financial Regulations of the democratic socialite republic of Sri Lanka.

- (i) Financial Regulation 571(3)

Action had not been taken in terms of regulation in respect of 51 deposit balance amounting to Rs.847, 542 older than 2 years.

- (ii) Financial Regulation 880

No security had been obtained as yet from 19 officers who are required to give security.

- (c) Public Administration circular No 41/90 dated 10 October 1990 The Consumption of fuel in 12 vehicles belonging to the Sabha had not been inspected..

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.9,555,250 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,189,127. Accordingly, an improvement of Rs.7,366,123 is shown in the financial results of the year under review.

2.2 Analytical Financial Review.

The following matters are observed.

- (a) Finance management of sabha had not been shown favorable image since the recurrent expenditure is 85 percent from entire recurrent revenue for the year under review.
- (b) Expect revenue and obtained by sabha, the sabha is unable to meet the recurrent expenditure in whatever manner from its revenue and recurrent expenditure had rapidly increased over the self-generated income. It is observed that no proper procedure had been prepared and implemented in this regard.

2.3 Working Capital Management.

Liquidity position of the sabha had not been shown favorably as shown in current and liquidity ratios due to industry aid and vehicle rent fees balance of Rs.10,595,553 which remains recoverable from a period between 4 years and 5 years as at the end of the year under review. as at the end of the year under review.

2.4 Revenue Administration.

2.4.1 Performance in collection of Revenue

The following matters are observed.

- (c) The total recurrent revenue billed for the year under review amounted to Rs.37.98 MN. Of this total recurrent revenue a sum of Rs.21.05 MN had been recovered. The progress in recovery of revenue was 55 per cent.
- (d) The arrears of revenue at commencement of the year under review amounted to Rs.24.58 MN. Of this, a sum of Rs.11.73 MN had been recovered during the year. The progress in recovery of arrears of revenue was 48 per cent.

2.4.2 Rates and Taxes

Fortytone percent of the opening arrears and 77 percent of the Billings of the year had been recovered. However, the outstanding balance as at the end of the year had taken a high value amounting to Rs.1,336,870. 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.

2.4.3 Lease Rent

The following matters are observed.

- (a) As 26 percent from the areas amount of Rs.2,562,149 at the beginning of the year had been recovered, areas balance as at the end of the year was Rs.2,576,789. Action had not been taken to recover the said balances of arrears in terms of section 159(1) of the pradeshiya sabha Act No 15 of 1987
- (b) Action had not been taken to follow the provisions of the Circular of the Southern Commissioner of Local Government No. දළසා/පළාතො/2010/01 dated 27 December 2010.
 - (i) Twenty stalls of the Bandarawaththa Public Market and 25 stalls of the Library Building had been given on lease without following the paragraph 01 of the circular .
 - (ii) Agreements relating to 30 stalls in new market complex, 10 stalls in new office building and 20 stalls in Bandarawaththa Public Market had not been updated every 03 years in terms of paragraph 05 of the circular.
 - (iii) The total of the Lump-sum money recoverable as at the end of the year under review had been a sum of Rs.12,342,266 on not taking action to recover Lump-sum money as stated in Paragraph 04 of the Circular. As such, a sum of Rs.2,579,600 remained further recovered for 17 stalls, out of that money even by 31 July 2017.
 - (iv) Action had not been taken to rent or lease the stalls of Bandarawaththa Public Market in terms of paragraph 02 and 04 of the Circular as at 31 July 2014.

2.4.4 Court fines and Stamp fees

Court fines amounting to Rs.389,129 and stamp fees amounting to Rs.12,919,101 were receivable from the Chief Secretary of the Sabha and other authorities as at 31 December 2016.

3 Operating Review

3.1 Evaluation of Performance.

The following matters are observed.

- (a) Provision made for two industries amounting to Rs.1,350,000 for the year under review had been saved.
- (b) Even though a sum of Rs.1,50,000 had been received to the Sabha in January 2017 for the construction of a common well under the provision of the Members of Parliament ,Southern Provincial Council Development Plan 2016,work of the Project had not been commenced even by 31 July 2017.
- (c) A Sum of Rs.333,050 had been spent in the year under review for 3 projects of which the estimated amount being a sum of Rs.620,000.However, action had not been taken to complete 02 projects as at 31 July 2017.

3.2 Assets not in use and asset under Consumption.

The following matters are observed.

- (a) Eleven units of various assets which had been disposed from a period from 01 year to 04 years remained idle .
- (b) Three vehicles belonging to the Sabha costing Rs.4,455,200 remained condemned without being used for a period from 01 year to 03 years.

3.3 Management Inefficiencies.

The following matters are observed.

- (a) 279 flag posts of 600 flag posts received from the ministry of Provincial Council and local government on 13 November 2014 had been misplaced.
- (b) 10 cubicles received under the development plan for reducing poverty programme which was implemented from Ministry of provincial council and local government according to 2013 budget proposal had not been recorded properly in the books of inventory and 04 cubicles had been misplaced as at 31 July 2017.

3.4 Vehicle Control.

The following matters are observed.

- (a) Action had not been taken to obtain revenue license for 09 vehicles and annual insurance cover for 05 vehicles.

- (b) Action had not been taken to, even by end of the year under review to acquire the registered rights of 12 vehicles used by the sabha.

3.5 Contract Administration.

The following matters are observed.

- (a) A sum of Rs.191,051 had been overpaid for 12.95 square meters in work subject NO.03 in concreting the ground in the estimate relating to constructing an open Compost Compound Drainage System and Water Storage Tank under the Provincial specific Development Grants-2016.
- (b) Work subject no 15,16,17,18 and 19 of above work had not been completed but a payment of Rs.15,921 had been made.

3.6 Solid Waste Management.

The following matters are observed.

- (a) Even though the revenue of Rs.149,320 had been earned during the year, action had not been taken to cover the expenses by imposing garbage tax.
- (b) Following conditions and provisions in environmental protection license had not followed by the sabha.
- (i) Solid wastes which are not usable to produce carbonic fertilizer had been used to produce carbonic fertilizer without recycling them.
- (ii) Installations of sufficient fire extinguish equipment and facilities.
- (iii) No proper housekeeping was maintained in compost production premises.

3.7 Staff Administration.

It was observed that there were 39 excesses in 10 posts and 10 vacancies in 06 posts of the approved cadre of the sabha. Action had not been taken, even by end of the year under review, to fill the vacancies or to regularize the excesses.

4 Good Governance and Accountability

4.1 Budgetary Control

The entire provision of Rs.14,762,607 made for 06 items of expenditure had been saved whilst the targets of 02 revenue items had not been achieved Rs.7,243,099, in the budget for the year under review. As a result, the budget had not been utilized as an effective instrument of management control.

5. Systems and Controls

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

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