

Bulathkohupitiya Pradeshiya Sabha
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 29 March 2017 and the financial statements for the preceding year had been presented on 28 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 14 July 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Bulathkohupitiya 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

The following matters were observed.

- (a) Action had not been taken to recover the value in respect of the shortages of 82 library books revealed in the Boards of Survey as at 31 December 2016 or to eliminate from the books of accounts while a shortage of 02 inventory items amounting to Rs. 22,000 had not been adjusted in the accounts.
- (b) Without being identified and adjusted correctly the difference between the balance of the of account of Furniture and Fittings and the balance of the schedules relating to that, a sum of Rs.271,371 had been credited to the furniture and equipment account and debited to the accumulated fund account by the journal entries.
- (c) Action had not been taken to rectify the difference of Rs.671,190 between the balance of the Revenue Contribution to Capital Outlay Account amounting to Rs.74,335,530 and the total of Fixed Assets Accounts amounting to Rs.73,664,340.
- (d) Even though, the development activities amounting to Rs.53,011,073 had been carried out under the provisions of the central Government and the Provincial Council, during the year under review that had not been brought to account as revenue and, expenditure in the finance and operating statement.
- (e) Even though, the Stamp fees amounting to Rs.2,036,012 due to receivable to the Sabha in respect of the period from January to October 2015, only a sum of Rs.1,468,937 had been brought to account as receivables. As such accumulated fund and the debtors had been understated by Rs.567,075.

- (f) The expenditure of recurrent nature such as repairs, maintenance and supply services totalling Rs.1,340,148 had been brought to account under 4 Capital Objects.
- (g) A sum of Rs.2,599,484 relating to 5 Capital Objects had not been recorded in the proper assets registers and had not been accounted in the Revenue Contribution to Capital Outlay Account and the proper assets accounts.
- (h) The effect, resulted for not brought to account of the interest of Rs. 249,753 payable for the loans obtained from Local Loans Development Fund for the year 2015 which had been observed in the Report of the Auditor General for the year 2015 had not been adjusted.

1.3.2 Unreconciled Control Accounts

The balance of 02 items of accounts aggregated Rs. 2,661,249 as per the financial statements whereas the balances of accounts aggregated to Rs. 2,255,691 as per related subsidiary registers/reports resulting in a difference of Rs. 405,558.

1.3.3 Accounts Receivable and Payable

The balances of accounts receivable and the accounts payable exceeding one year as at 31 December 2016 totalled Rs. 2,538,288 and Rs. 1,854,066 respectively.

1.4 Non-compliance with Laws, Rules, and Regulations

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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|--------------|---|
| (a) F.R. 371 | Ad hoc sub – imprests obtained since September 2012 totalling Rs. 69,038 had not been settled even by 25 April 2017. |
| (b) F.R 571 | Action had not been taken with regard to lapsed deposits totalling Rs. 1,678,856 in respect of the period from the year 2011 to 2014. |

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. 3,443,871 as compared with the excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 582,054 shown an improvement amounting to Rs. 2,861,817 in the financial results of the year under review.

2.2 Analytical Financial Review

The increase in 04 items of revenue and the decrease in 04 items of expenditure had mainly attributed to the improvement of Rs. 2,861,817 in financial results of the year under review.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

- (a) The information relating to the estimated revenue, actual revenue and arrears of revenue furnished for the year under review appears below.

Source of Revenue	Arrears as at 01 January 2016	Recoveries out of the arrears as at 31 December 2016	Amount billed for the year 2016	Recoveries out of the amount billed for the year	<u>Arrears as at 31 December 2016</u>		Total Arrears
					Arrears as at 01 January 2016	Arrears out of amount billed for the year	
	Rs.000	Rs. 000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	188	113	1,064	902	75	162	237
(ii) Lease Rent	-	-	393	393	-	-	-
(iii) Licence Fees	-	-	150	150	-	-	-
(iv) Other Revenue	-	-	9,269	10,139	-	(870)	(870)
	188	113	10,876	11,584	75	(708)	(633)

- (b) The balance of rates and taxes receivable as at 31 December 2016, as per information presented by the Sabha amounted to Rs. 237,000 whereas that balance amounted to Rs. 201,600 as per financial statements.

2.3.2 Rates

The properties belonging to the Sabha had been vested from the Yatiyanthota Pradeshiya Sabha in 2009, but action had not been taken to assess these properties again and to revise the rates and taxes.

2.3.3 Other Revenue

The following matters were observed

(a) **Environment Protection Licences**

Environment Protection Licences had not been obtained for 08 industries for which should be obtained licences and necessary action had not been taken thereon.

(b) **Business Tax**

Action had not been taken by the Sabha to recover business tax relating to 14 business institutions for the year under review.

(c) **Revenue of Telecommunication Transmission Towers**

The following matters were observed.

(i) Even though, the Processing fees and Development licence fees should be recovered for construction of telecommunication towers depending on their heights at the rate of Rs. 20,000 for the height between 5 to 20 meters and Rs. 100 for every additional meter in the authoritative area of the Sabha in terms of the Extra – ordinary Gazette Notification No. 1597/8 of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009, action had not been taken to carry out a survey relating to the towers constructed in the area and to recover the revenue.

(ii) Even though, the annual business tax at the rate of Rs. 3,000 should be recovered from Telecommunication Transmission Institutions, a sum of Rs. 9,000 had not been recovered in respect 03 Telecommunication Transmission Towers installed within the area.

3. Operating Review

3.1 Performance

Even though, the development of the premises of the weekly fair in the Bulathkohupitiya Town had been entrusted to the State Engineering Corporation in January 2014, the constructions of the weekly fair had not been completed even by May 2017. Further, a sum of Rs. 720,000 had been incurred to hire a land to operate the weekly fair for the period from the year 2014 to December 2016 at the rate of Rs. 5,000 per day.

3.2 Management Inefficiencies

The following matters were observed.

(a) Even though, the Old Rural Courts building had been acquired on a court decision in the year 2015 and had been brought to account at the value of Rs.3,180,000, a report from the Chief Valuer had not been obtained for the above value.

(b) The work relating to the construction of a crematorium at an estimated amount of Rs. 21,469,814 under the Deyata Kirula Development Programme 2014 had been entrusted to

the State Engineering Corporation. Even though, the constructions of the crematorium had been completed and handed over to the Council on 01 March 2017, the functions of the cremations had not been commenced due to non - completion of development of common amenities including the relevant road development.

- (c) The employees' security deposits amounting to Rs. 59,700 had been retained in the General Deposit Account instead of being deposited in the savings pass books of each officer.
- (d) Action had not been taken to recover a staff loan balance totalling Rs. 52,930 remained unrecovered from 2 officers who had transferred out on station transfers.
- (e) Even though, 8 vacancies of staff had existed in the cadre in respect of 07 categories of posts, recruitments had not been made thereon.

3.3 **Identified Losses**

A sum of Rs. 9,563 had been overpaid for 03 items of works not executed in the construction work of toilets to supply toilet facilities for the refugees camp in the Uduwa Temple.

3.4 **Solid Waste Management**

An expenditure of Rs.5,157,045 comprising Rs.4,506,739 and Rs.650,306 had been incurred during the year under review for Solid Waste Management and Disposal of solid waste respectively and an income of Rs.3,360 had been earned under compost project in the year 2016. An income of Rs.15,140 had been earned for 1,514 kilogrammes of compost by April 2017.

4. **Accountability and Good Governance**

4.1 **Internal Audit**

In terms of the Rule 5(7) of 1988 Financial and Administration set of Rules, an adequate internal audit had not been carried out in respect of finance and stores activities.

4.2 **Budgerary Control**

Out of the provisions made in the Budget for the year 2016 the entire provision aggregating Rs.8,325,000 had been saved in 06 instances and the provisions ranging from 62 per cent to 96 per cent totalling Rs. 104,841,013 made for 12 Objects had not been utilized.

5. **Systems and Controls**

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

<u>System</u>	<u>Observation</u>
(a) Accounting	(i) Not rectified the matters observed in the Report of the Auditor General of the year 2015.
	(ii) Not brought to accounts the Motor Vehicles and Machinery separately.

- (iii) Failure to present clear narrations on the journal entries.
 - (iv) Non – maintenance of Registers for Land and Buildings.
- (b) Assets Control
 - (i) Failure to assess the assets and brought to account.
 - (ii) Delay in implementation of recommendations of the Boards of Survey.
- (c) Cash and Bank
 - Unsettled balances in the Bank Reconciliations
- (d) Revenue Control
 - (i) Failure to assess the properties and non – recovery of rates even though developed areas had been identified.
 - (ii) Arrears of Revenue