

Benthota Pradeshiya Sabha
Galle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 30 March 2017 and the financial statements for the preceding year had been presented on 30 March 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 04 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 of the Benthota Pradeshiya Sabha 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 accounting deficiencies were observed in audit.

- (a) The contributions of Rs.4,537,005 payable to the Local Government Pensions Fund had not been brought to account under creditors and as such the expenditure of the year and the current liabilities had been understated by the above value.
- (b) The discount of Rs.155,644 obtained while purchasing library books during the year under review had not been brought to account and as such the revenue for the year and the assets had been understated.
- (c) The value of 55 units of stock which had been confirmed as physically existing as per board of survey report of 2015 had not been assessed and brought to account thus resulting in an understatement of current assets.
- (d) Adjustment had not been made for 04 items of industrial stock amounting to Rs.68,304 which had not been confirmed as existing at the stores and entered in the registers.
- (e) Pre-payments of Rs.92,337 had not been shown in the financial position statement of the year under review.
- (f) The value of 40.75 perches of land vested with the Sabha for common amenities while auctioneering the land named Amayangoda Owita had not been brought to

account. As such, the fixed assets and the Revenue Contributions to Capital Outlay Account had been understated.

1.3.2 Unreconciled Control Accounts

The balances of 05 items of accounts shown in the financial statements aggregated Rs.12,150,417. A total difference of Rs.846,517 was observed between these balance and the related balances appearing in the subsidiary registers and reports.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

- (a) Thirty three work debtor balances of Rs.11,559,208 which continued from 2011 had not been settled even during the year under review.
- (b) Stamp fees of Rs.1,788,951 due for the period 2001 to 2013 had not been recovered.
- (c) Action had not been taken even during the year under review to recover the salary reimbursements of Rs.104,000 pertaining to 2009 and the court fines of Rs.53,833 for the year 2012.
- (d) The balances of 06 accounts receivable totalling Rs.3,192,252 as at end of the year under review had not been settled.
- (e) Action had not been taken even during the year under review to settle the creditors' balances totalling Rs.13,432,508.

1.3.4 Lack of Evidence for Audit

Proper and updated register of land and buildings relating to 05 items of fixed assets totalling Rs.118,153,755, an updated register of fixed assets showing classification of assets and an updated register of stocks relating to stock in hand amounting to Rs.1,447,524 as appearing in the financial statements had not been furnished. As such, these could not be satisfactorily examined in audit.

1.3.5 Non - Compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non - compliance with laws, rules and regulations were observe in audit.

Reference to Laws, Rules, Regulations etc.,

Financial Regulation of the Republic of Sri Lanka 371(2)(b)

Non - compliance

Action had not been taken to settle the general advance balance of Rs.159,278 which continued to be brought forward since 1993.

2. Financial Review

2.1 Financial Results

According to the financial statements presented to audit, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.29,686,524 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,950,973. An improvement in financial results amounting to Rs.16,735,551 appeared as compared with the preceding year.

2.2 Working Capital Management

A comparison of the previous year's position with that of the year under review shows satisfaction in current and quick ratios. But, it was observed that the liquidity position was not so in terms of those ratios as there were lapsed debtor balances of Rs.15,848,159 ranging from 03 to 05 years.

2.3 Revenue Administration

2.3.1 Rates and Taxes

Out of the rates and taxes amounting to Rs.11,747,533 recoverable for the year under review, 68 per cent only had been recovered. As such, the arrears as at end of the year showed an extensive value of Rs.3,776,359.

2.3.2 Acreage Tax

The amount recoverable for the year under review amounted to Rs.155,503 of which a minimum of 02 per cent amounting to Rs.3,518 had been recovered during the year. As a result, the arrears as at end of the year amounted to Rs.151,985.

2.3.3 Court Fines and Stamp Fees

Court fines amounting to Rs.1,116,180 and stamp fees amounting to Rs.38,664,949 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) Action had not been taken to regularize the excess cadre of 18 and to fill 07 vacancies of posts as per cadre.

- (b) Action had not been taken to recover the loan balances aggregating Rs.96,375 remaining unrecovered for a long time on behalf of 27 officers who had retired / vacated posts / expired.
- (c) The reimbursement of Rs.164,500 due from the Commissioner of Local Government on behalf of property loans remained unrecovered since 2007.
- (d) A sum of Rs.285,712 had been received for 07 development projects in the authoritative area of the Sabha from 1987 to 1991. This had not been used for the said purpose and had been credited to revenue in 2016.
- (e) The contributions to Employees' Provident Fund and the Employees' Trust Fund for the year 2014 amounting to Rs.14,871 and Rs.15,527 respectively had not been remitted to those Funds. Instead, it had been retained in the General Deposit Account.
- (f) The average monthly balance of the current account maintained at the Bank of Ceylon in 2016 had exceeded Rs.03 million. But, it had not been considered to invest the amount concerned in terms of Sections 171 and 184 of the Pradeshiya Sabha Act No.15 of 1987.
- (g) (i) The board of survey for the year under review had not been completed even by 31 May 2017.
- (ii) No action, whatsoever, had been taken with regard to 984 goods not subjected to verification by the board of survey of 2015 and the shortages and excess identified in 145 items of goods
- (h) (i) Sixteen garbage bags with a capacity of 20 litres and 10 garbage bags with a capacity of 60 litres given by the Department of Local Government had not been made use of.
- (ii) Two machines costing Rs.91,000 granted by a private institution in 2007 for production of compost and a hand tractor costing Rs.108,000 were remained idle for over 10 years.

3.2 Operating Inefficiencies

The following matters were observed.

(a) Maintenance of Street Lamps

The agreement entered into with the Electricity Board by the Sabha had expired in 2015. Reimbursements for street lamps had not been obtained after 2014 as a result of not entering into an agreement as per letter No.ල/10විට්පන of 07 June 2016 of the Provincial Engineer of the Electricity Board.

(b) Obtaining land for common amenities from land sold on auction

A private institution had sold on auction an extensive land of 05 acres, 02 roods and 31perches separated into blocks during the year 2016. The Urban Development Authority had issued compliance certificates before the Sabha obtains the portion of land due to it. As a result, the Sabha had not obtained the extent of land due to it.

(c) Recovery of 1% tax from the revenue of the hotels registered at the Tourism Development Authority

One percent of the revenue should be recovered as tax from hotels, canteens and lodgings registered at the Tourism Development Authority in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987. In this connection, 18 hotels had not furnished their audited accounts and the recoveries had been made on the basis of revenue reported by the hotels.

3.3 Delays in Projects

The following matters were observed.

- (a) Five out of 08 projects approved under the Strengthening of Pradeshiya Sabhas Programme for the year 2016 had not been executed.
- (b) A sum of Rs.1,000,000 had been approved by the Ministry of Highways and Investments Promotion in 2014 for laying processed stones for a distance of 156 metres with a width of 03 metres for a portion of the Athuruwella Imbulgahawaththa Road. The Ministry concerned had informed on 20 January 2015 that the project had been cancelled for non commencement of the project before 31 December 2014.

3.4 Solid Waste Material Management

The following matters were observed.

- (a) A proper procedure had not been adopted for disposal of garbage. The daily collection of garbage had been disposed of, at a place known as Jambugahapitiyawaththa by burying it in the soil. As a result of inadequate filling with soil, the garbage had come out causing mosquitoes and flies to increase around the area and the people of the area faced the risk of health hazards.
- (b) The Sabha had not adopted any precautionary safety methods with regard to the garbage of the area in terms Sections 93,94 and 95 of the Pradeshiya Sabha Act.
- (c) An environmental licence had not been obtained for the place of disposal of garbage.

4. Good Governance and Accountability

4.1 Budgetary Control

Savings aggregating Rs.30,537,603 in 06 items of expenditure, adverse variances of Rs.162,363 in 02 other items and non achievement of targets in 02 revenue items aggregating Rs.2,785,995 were observed in the budget for the year under review showing that the budget had not been utilized as an efficient instrument of financial management.

4.2 Internal Audit

Adequate internal audit had not been carried out and the reports furnished to the Auditor General as required by the Financial Regulations 133 and 134 and the Circular of the Commissioner of Local Government (Southern Province) bearing No. No.දපපා/යන/01/න.ව.ලේ of 24 February 2014.

4.3 Audit and Management Committees

Action had not been taken even by end of the year under review to establish Audit and Management Committees in terms of provisions in the Management Audit Circular No. DMA/2009(i) of 09 June 2009.

4.4 Unresolved Audit Queries

Although it had been agreed to rectify the shortcomings pointed out in (b),(c),(f) and (i) of paragraph 2.2.2 of the Auditor General's report of the previous year, action had not been taken as agreed even during the end of the year under review.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha by audit queries from time to time. Special attention is needed in respect of the following areas of systems and controls.

System	Main deficiencies in the System
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(a) Fixed assets	(i) The register of fixed assets relating to machines and machinery and furniture and fittings had not been updated.
	(ii) Action had not been taken to use the compost manufacturing machine.
(b) Collection of Revenue	(i) The balances of arrears had increased as a result of not taking action to collect the arrears of revenue.

- (ii) Action had not been taken to recover the court fines and the stamp fees.
 - (iii) The period of arrears of revenue receivable by the Sabha could not be identified as a result of not preparing the age analysis of arrears of revenue.
- (c) Accounting
 - (i) Differences were observed between the values shown in the financial statements and the related schedules.
 - (ii) Action had not been taken to identify and settle the balances which continued to be brought forward in the financial statements without change.
 - (iii) The value of certain vehicles and equipment had not been assessed and brought to account.
- (d) Staff Management
 - Action had not been taken to regularize excesses in the posts and to fill the vacancies.
- (e) Contract Administration and delays in projects
 - (i) Contracts had not been completed as per agreements.
 - (ii) The projects obtained by the Sabha had not been executed during the required period.
- (f) Solid Waste Material Management
 - (i) Garbage had not been separated and collected
 - (ii) Garbage had not been disposed of, without affecting the health of the people of the area.
 - (iii) Suitable methods had not been adopted to minimize the quantity of garbage.
 - (iv) Environmental licence had not been obtained for the place of disposal of garbage.