

Balapitiya Pradeshiya Sabha
Galle District

1. Financial Statement

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been presented for audit on 20 March 2018 and the report of the Auditor General on those financial statements had been issued to the Chairman on 31 August 2018.

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 Balapitiya Pradeshiya Sabha as at 31 December 2017 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 deficiencies were observed.

- (a) The value of two Convex Mirror amounting to Rs.75,800 had not been brought into account.
- (b) Although Rs.813,414 billed continuously upto 2016 as stall rant for 19 stalls removed in 2010, had been shown in accounts as a sum recoverable, actually not such a recoverable sum.
- (c) The value of printed documents and 78 types of counterfoil books to be included in the quantity of stationary as at 31 December of the year under review had neither been calculated and nor brought into account.
- (d) Contributions of Rs.7,093,740 payable to the Pension Fund as at 31 December of the year under review had not been brought into account in financial statements as creditors.

1.3.2 Unreconciled Account

Total of variation between balances of 12 items of account amounting to Rs.50,920,884 included in Financial Statements and the balances shown in Supportive documents related to them amounted to Rs.12,226,688.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken during the year under review to recover stamp fee of Rs.263,619, a sum of Rs.3,556 in hand of officers being brought forward since 2014, capital aids and court fines of Rs.703,811 and stall rent of Rs.85,400 for 2010 totaling Rs.1,056,386.

(b) Accounts payable

Action had not been taken to settle even during the year under review 03 deposit balances amounting to Rs.2,089,646 being brought forward since 2012.

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

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions	Value	Non-Compliance
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	Rs.	
(a) Pradeshiya Sabha Rule (Financial & Administration)1988		
(i) Rule 33	-	Lists of names of individuals who have defaulted the payment of rates & taxes and property Forfeiting warrant lists had not been prepared.
(ii) Rule 143	-	Repayable deposit ledger had not been balanced nor had it been adjusted with the main ledger account balance.
(iii) Rule 145	-	Detailed statement on repayable deposit had not been prepared and nor adjustment made with ledger balance.

2.3.2 Performance in Revenue Collection

The total estimated revenue of the year under review was Rs.45,515,000 while billed revenue amounted to Rs.11,250,625. Although the total sum recoverable with the opening balance in arrears of Rs.12,619,833 amounted to Rs.23,870,458, the total collected revenue during the year had been Rs.16,938,221. Accordingly the revenue in arrears at the end of the year was Rs.14,310,841.

2.3.3 Rates and Taxes

The opening balance in arrears had been Rs.11,284,215 while the recoverable total with the billed sum of Rs.6,430,242 amounted to Rs.17,714,457. As the total recovered amounted to Rs.4,690,870, the balance in arrears at the end of the year had taken a higher value of Rs.13,221,748. However no action had been taken to recover revenue in arrears in terms of Section 158(1)(a) of the Pradeshiya Sabha Act.

2.3.4 Lease Rent

Total recoverable with the opening balance in arrears of Rs.1,147,838 at the beginning of the year under review plus billed amount of Rs.128,550 amounted to Rs.1,270,388. Due to year's recovery having amounted to only 30 percent, lease balance in arrears at the end of the year had taken a higher value of Rs.898,813.

2.3.5 Court fines and stamp fee

Rs.71,854,145 and Rs.1,608,633 had been recoverable as stamp fee and court fines respectively as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Council.

3. Operating Review

3.1 Performance

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradeshiya Sabha Act are as follows:

(a) Action Plan

No annual action plan had been prepared in respect of activities to be performed by the Pradeshiya Sabha in terms of by-laws enacted.

(b) Non achievement of anticipated objectives

- (i) A solid waste management centre had been established spending provincial specific Development Grants of Rs.1,000,000 under Southern Province Development Plan 2016 and the Pradeshiya Sabha Funds of Rs.587,708. However at the time of auditing in 2018 the building had not been utilized for the anticipated purpose. Plastic wastes had been dumped around the building.
- (ii) Hard Plastic Grinder and a Hard Plastic Washing Machine to the value of Rs.1,000,000 received from Local Government Department for the Solid Waste Management Project had been installed. Although a sum of Rs.178,190 had been spent on electricity supply for operating these machines, even by 23rd April 2018 these machines had not been utilized for the targeted purpose.

(c) Solid Waste Management

Waste at the rate of 10 tons per day had been dumped on to a private land called Heenatiya Bedda without sorting out waste as decaying or non decaying. As waste had been spread throughout the land extremely bad smell was emanated. Waste had been covered with soil for which Rs.660,850 had been paid to a private institution on 03 occasions. After November 2017 covering of waste with soil not done.

(d) Sustainable Development Targets

The Sabha had not formulated long-term plans to enhance living condition and health of the people in the area of authority through global indicators for sustainable development goals and targets in the Agenda 2030 for Sustainable Development.

3.2 Human Resources Management

The following observations were made.

- (a) No action had been taken either to fill 09 vacant posts in the cadre plan or to regularize excess posts.
- (b) A sum of Rs.2,065,465 had spent from the Sabha Fund to pay salaries and allowances to 06 employees recruited on substitute and contract basis during the year under review in contrary to the Management Services Circular No.25/2014.
- (c) Duties of the posts of Management Assistant Service had been entrusted to two Karyala Karya Sahayaka and three Labourers.

(d) Action had not been taken during the year under review to recover a loan balances amounting to Rs.137,074 recoverable from two individuals.

3.3 Asset Management

3.3.1 Idle and Under Utilized Assets

A Cab owned by the Sabha remained idle over a period of 10 years exposing to the nature and no action had been taken to repair and make use or dispose of it.

4. Accountability and Good Governance

4.1 Budgetary Control

A considerable variance between budgetary and actual revenue/expenditure for the year under review was observed which clearly indicate that the Budget had not been used as effective financial Management Control mechanism.

- (a) Savings of 07 items of expenditure totaling Rs.18,457,370 were available, value of which ranged between 05 percent to 70 percent.
- (b) In one item of expenditure amounted to Rs.23,015,783 far beyond the estimated limit, value of which remained at 3,068, percent.
- (c) The total of adverse variance of 04 items of revenue was Rs.20,931,808 value of which ranged between 12 percent – 30 percent.
- (d) The total of adverse variance of 03 items of revenue was Rs.15,667,668, value of which ranged between 18 percent to 40 percent.

4.2 Internal Auditing

Although an Internal Auditor had been appointed sufficient internal auditing had not been done.

5. Systems and Control

Shortcomings observed at auditing were brought to the notice of the Sabha from time to time and special attention shall be paid to the following fields of control.

System

Defect

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| (a) Management of Fixed Assets | (i) | Surveys on lands and bilding had not been conducted nor had they been brought to account. |
| | (ii) | Records on public places had not been maintained. |

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| | | (iii) | Loss/damage register had not been maintained |
| | | (iv) | Availability of idle and under utilized assets. |
| (b) | Staff Management | (i) | Non filling of vacancies |
| | | (ii) | Loan balanes not recovered. |
| | | (iii) | Not assigning duties to suit the post |
| (c) | Revenue Collection | (i) | Having not recovered rates & taxes in arrears. |
| | | (ii) | Non recovery of stamp fees. |
| | | (iii) | Non charging of waste tax. |
| | | (iv) | Non investment of excess money. |
| (d) | Accounting & Record Keeping | (i) | Non adjustment of account balances being brough forward from preceding years. |
| | | (ii) | Availability of variance between schedule balances |
| | | (iii) | Stock balance not being brought to account. |