

Bandaragama Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted on 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 October 2018.

1.2 Qualified Opinion

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

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Although the postal charges expenditure relevant to the year under review was Rs. 162,255, it had been shown as Rs. 123,880 in the Revenue and Expenditure. Due to that, postage expenditure relevant to the year had been understated in a sum of Rs. 38,375.
- (b) The sum of Rs. 14,500 spent for the purchase of a ladder had been shown under recurrent expenditure.
- (c) Staff Loans balance relevant to the year under review had been understated in a sum of Rs.9,397 in the financial statements.
- (d) Electrical Equipment Stores balance relevant to the year under review had been understated in a sum of Rs.190,421. Due to that, stores balance had been understated in a sum of Rs.190,421 while expenditure had been overstated in a sum of Rs.190,421 in the financial statements.
- (e) Expenditure and Expense Creditors for the year under review had been overstated at the rate of Rs. 12,270 in the financial statements.
- (f) Works Expenditure and value of Works Creditors relevant to the year under review had been overstated at the rate of Rs. 730,238 in the financial statements.
- (g) Works Debtors and Works Grants relevant to the year under review had been understated at the rate of Rs. 716,747 in the financial statements.
- (h) Fixed Deposits Interest relevant to the year under review had been understated in a sum of Rs.153,018 in the financial statements.
- (i) While the sum of Rs. 1,684,422 received during the current year in respect of the years 2011,

2012, and 2013 had been accounted as revenue for the year under review, Courts Fine Revenue for the current year had not been billed.

### 1.3.2 Non-reconciled Accounts

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A difference of Rs. 1,105,953 was observed between the balances amounting to Rs. 23,060,423 relevant to 03 items of accounts shown in the financial statements and the balance shown in the schedule relevant to those.

### 1.3.3 Accounts Receivable and Payable

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#### (a) Accounts Receivable

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(i) Action had not been taken to settle the sum of Rs. 645,435 outstanding on account of electricity over a number of years and the dishonored cheques amounting to Rs. 10,470 shown under Deposits of the Sabha.

(ii) Action had not been taken to settle the receivable balance of Rs. 329,555 shown in the Value Added Tax Account over a number of years.

### 1.3.4 Lack of Written Evidence Required for Audit

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Eleven items of accounts totaling Rs. 223,837,291 could not be satisfactorily verified/vouched in audit due to non-remission of updated Register of Fixed Assets, Register of Advances and relevant schedules.

### 1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non-compliance
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(a) Pradeshiya Sabha Act No. 15 of 1987 i. Section 134(1)		Action had not been taken to recover Rates with the approval of the Commissioner of Local Government, based on annual value of immovable properties situated in areas declared as developed areas by the Sabha.

ii. Section 160	Properties had not been seized as the last resort for recovery of rates
(b) 1988 Pradeshiya Sabha (Financial and Administrative) Rules Rule 218	All Lands and Buildings belong to the Sabha Had not been inspected once in every year.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
i. Financial Regulation 371(2) (c) 4,144,161	Although the advances given should be settled immediately after completion of the relevant work, action had not been taken accordingly.
ii. Financial Regulation 571 (1)(2)	Although a list of time lapsed deposits should be prepared and credited to state revenue at the end of each half year, such action had not been taken.
iii. Financial Regulation 396 (d) 31,698	Action had not been taken with regard 12 cheques issued, but not presented for payment for more than 06 months from the date of issue.
iv Financial Regulation 1647 (b)	A full survey of vehicles and tools of those belong to the Sabha had not been carried out.
(d) Circular No.1988/22 dated 17 May 1988 of the Commissioner of Local Government. Circular	Although the properties subject to Rates should be assessed once in 05 years, action had not been taken accordingly.
(e) No.160/13/2016 dated 09 November 2016 of the Commissioner of Local Government	Action had not been taken to identify the persons appearing as sub-lessees of the stalls belong to Sabha and to appoint them as lessees in order to transfer the legal lease ownership.
(f) Public Administration Circular No.2016/30 dated 29 December 2016. Paragraph 3.1	Fuel consumption tests of the Sabha vehicles had not been carried out annually.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of recurrent expenditure over recurrent revenue of the Sabha for the year ended 31 December 2017 had been Rs. 15,639,590 as compared with the corresponding excess of recurrent revenue over recurrent expenditure amounted to Rs. 8,823,523 in the preceding year.

### 2.2 Financial Control

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The balance of Rs. 2,875 in the Bank of Ceylon (Bandaragama) Current Account No.0-004720 remained idle over a number of years.

### 2.3 Revenue Administration

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#### 2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

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Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown below.

Source of Revenue	Estimated Revenue	Revenue Billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	6,314,000	7,370,955	8,152,177	1,119,653	6,337,400	7,409,669	8,428,578	1,980,876
Rent	1,422,000	1,528,500	1,527,490	118,285	1,578,200	1,009,800	1,134,815	117,275
License Fees	296,000	337,650	337,650	-	157,500	264,450	264,450	-
Other Revenue	21,662,000	6,987,252	75,328,820	58,632,272	74,826,500	1,684,422	54,846,207	66,337,923

#### 2.3.2 Performance in Revenue Collection

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While overall arrears of revenue at the beginning of the year under review amounted to Rs. 68,436,074, billing relevant to the year had been Rs. 16,224,357. While receipts during the year amounting to Rs. 85,346,137 and net value of total debits adjusted for court fines and stamp fees amounted to Rs. 60,635,918, overall arrears of revenue as at 31 December 2017 amounted to Rs. 59,950,210.

### 2.3.3 Rates and Taxes

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#### (a) Rates

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- (i) While Rates in arrears at the beginning of the year under review was Rs.1, 980,876, out of that a sum of Rs. 1,472,105 or 74 percent only had been recovered during the year.
- (ii) While Rates billings for the year under review were Rs.3, 639,102, out of that, a sum of Rs.2,948,220 or 81 percent only had been recovered during the year.
- (iii) While a sum of Rs. 690,882 out of billings and a sum of Rs. 508,770 out of arrears of prior years were outstanding at the end of the year under review, overall arrears of rates had been Rs. 1,119,652.
- (iv) Age analysis for rates in arrears at the end of the year under review were not submitted.

#### (b) Business Tax and Industrial Tax

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While cases had been filed for recovery of business taxes and industrial taxes relevant to the year 2016, a total sum of Rs. 122,400 as Rs. 104,400 from 18 business entities and Rs. 18,000 from 18 industries were in arrears.

### 2.3.4 Other Revenue

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#### (a) Advertisements Boards Revenue

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According to the survey reports, a sum of Rs. 430,400 was receivable for the year 2017 in respect of 30 advertisements boards.

#### (b) Weekly Fair Revenue

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- (i) While weekly fair trade stalls had been provided on the basis of recovering a monthly rent of Rs. 3,000 up to January 2017, there was an arrears rent of Rs. 737,270 due from 125 businessmen as at 31 December 2016. That amount in arrears had not been recovered during the year under review as well.
- (ii) When collecting revenue daily during the year under review after cancellation of lease agreements, of the weekly fair lessees, revenue had not been collected on the grounds of non-conducting the fair for 03 days in January, 03 days in February, one day in March, 05 days in April, 04 days in May and 02 days in June during the year 2017. Reasons for non-conducting the fair were not furnished to audit.

### 2.3.5 Court Fines and Stamp Fees

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#### (a) Court Fines

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Court Fines receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017 amounted to Rs .7, 429,557.

#### (b) Stamp Fees

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- i. Stamp Fees revenue receivable relevant to the year under review was Rs. 51,202,717.
- ii. Stamp Fees revenue receivable from Horana and Kalutara Land Registries for the year 2015 amounting to Rs. 5,303,830 only had been shown as Stamp Fees Billing for the year under review.
- iii. While action had not been taken to prepare schedules to get the stamp fees receivable for the years 2016 and 2017, billings relevant to the years 2016 and 2017 were not correct.

### 3. Operating Review

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#### 3.1 Performance

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Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

#### (a) By-laws

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Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act in order to fulfill 16 main subjects, by-laws had been imposed only for one subject even as at 31 December 2017.

#### (b) Action Plan

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While 34 works expected to be performed according to the action plan prepared by the Sabha had not been performed during the year under review, , 22 works not included in the action plan had been implemented.

#### (c) Solid Wastes Management

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While a compost yard had been maintained in Deldorawatta by the Sabha for wastes management activities, an expenditure amounting to Rs.7,325,723 too had been incurred during the year. Following observations are made in this connection.

- (i) By-laws had not been imposed for solid wastes management.
- (ii) Environmental permit had not been obtained for the disposal ground.
- (iii) Garbage Tax had not been imposed to cover the cost incurred for waste management activities.

(d) Sustainable Development Targets.

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 The Sabha had not taken any course of action with regard to implementation of sustainable development targets..

3.2 Management Inefficiencies

(a) Supplying Welfare Services

- (i) Although issues of relevant welfare equipment had been made on the basis of individual applications submitted and on approval of the Secretary or officer- in- charge, in 14 instances, there had been shortages when handingover the welfare equipment provided during the year 2017. However, a system had not been introduced to recover the loss. Any course of action had not been taken in instances of shortages of equipment, observed at the time of handing over.
- (ii) Although the building and the body building equipment of the Body Building Centre had fallen to a dilapidated condition, action had not been taken to modify those.

(b) Repairs to Road Damages

According to Repairs to Road Damages Plan, 139 concrete roads, 05 block stones laid roads and 06 carpet roads were scheduled to be repaired. However, only 73 concrete roads out of those had been repaired.

3.3 Human Resources Management

- (a) In addition to the actual staff of 198, 09 casual employees too were included in the cadre for the year under review.
- (b) Covering up the duties in the vacant post of Secretary was being performed by a Management Assistant in Class i.
- (c) Eighteen employees made permanent through Public Administration Circular No. 25/2014, not in the approved cadre were included in the actual cadre.
- (d) There was a surplus of 02 posts of Management Assistants.
- (e) According to cadre information of the Sabha, it was observed that, out of 66 field laborers in service of the Sabha, 33 are engaged in duties other than maintenance works while out of 32 sanitary laborers, 14 employees are not engaged in the relevant duties.

### 3.4 Assets Management

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#### 3.4.1 Non-documentation of Assets

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- (a) While a survey had not been made with regard to assets belong to the Sabha, value of Lands and Buildings had been shown as Rs. 97,089,333 in the financial statements as at the end of the year under review. That value had been the value of buildings constructed during the year 2016 and 2017 and value relevant to one land only.
- (b) Entries had not been made in the Fixed Assets Register with regard to all lands received by the Sabha for common amenities through land auctions.
- (c) It was not possible to examine the accuracy of the schedules submitted with the financial statements as any of the Fixed Assets Registers of the Sabha had not been maintained having updated.
- (d) Action had not been taken to identify the roads belong to the Sabha, to gazette those or to document or to update the registers.

#### 3.4.2 Idle or Under-utilized Assets

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Stone Crusher Machine purchased having spent a sum of Rs. 2,472,740 during the year 2008 for breaking granite using machinery remained idle since the year 2009.

#### 3.4.3 Stock Control

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##### Issuing and Taking over of Electrical Goods

- (a) While 720 Florescent<sup>23</sup> Watts bulbs had been issued from the main stores up to October 2017, only 384 bulbs had been recorded in the stock book of the Adikaripaththu stock book. Accordingly, a shortage of 336 bulbs was observed.
- (b) While 200 bulbs had been provided to Thulpiti Baddha Sub –office by the Head Office in two instances, only 100 bulbs had been recorded as receipts in the stock book of the Thulpiti Badda Sub-office. Accordingly, a shortage of 100 florescent bulbs of 23 watts valued at Rs. 51,000 was observed.

### 3.5 Procurements

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#### (a) Supplies and Services

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- (i) Although calling for quotations had been made in October 2016 for registration of suppliers for the year 2017, suppliers for the year 2017 had been selected in June 2017, after a long delay. The process of registration of suppliers had not been fruitful as the registration had not been made at the commencement of the year.
- (ii) When purchasing 23 Watts Florescent Bulbs, the supplier who furnished the highest quotation had been selected without selecting the supplier who quoted the lowest

quotation during the year 2017. Due to that, a loss of Rs. 206,155 had occurred to the Sabha.

- (iii) There were instances of purchasing goods from non-registered suppliers although there were registered suppliers.

(b) Contracts Administration

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Although an expenditure amounting to Rs. 925,047 had been incurred for developing Arukgoda South president Avenue by concreting, it was observed at the physical inspection that number of places of the road had been damaged and that the work had not been finished to the proper standard.

4. Accountability and Good Governance

4.1 Budgetary Control

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Variances in a range from 6.4 percent to 241 percent between the budgeted revenue and actual revenue, and variances in a range from 6.9 percent to 205 percent between the budgeted expenditure and actual expenditure were observed. Therefore, the budget had not been made use of as an effective tool of management.

5. Systems and Controls

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Deficiencies observed were brought to the notice of the Sabha through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System -----	Deficiency -----
(a) Accountings	Omissions, under statements and over statements in the accounts. Non-updated registers.
(b) Assets/Properties	Non-documentation. Lack of security.
(c) Revenue Administration	Inadequate follow-up action for recovery of arrears of Revenue.
(d) Staff Management	Non-approval of the cadre. Non-filling vacant posts.
(e) Budgetary Control	Material variances between the budget and the actual expenditure