

Beruwala Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit 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 Beruwala 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 deficiencies are observed.

- (a) The sum of Rs. 242,600 spent for spare parts and tyres for the JCB Machine during the years 2010 and 2011, had been shown as an advance in the financial statements, without being included in the accounts for those years.
- (b) Value Added Tax had been billed and recovered for 16 works not liable for Value Added Tax during year 2017 causing overstatement of capital expenditure in a sum of Rs.1,629,012 in the financial statements
- (c) The sum of Rs. 31,875 spent for the purchase of 25 compost bins had been shown in the Motor Vehicles and Carts Account.
- (d) The sum of Rs. 118,852 receivable for the road roller of the Sabha had been shown under sundry works creditors without being shown as revenue in the financial statements.

1.3.2 Accounts Receivable and Payable

Rates balances in arrears amounting to Rs.90,101 relevant to the period from the year 2007 to the year 2017 due from the Department of Railway had not been recovered.

1.3.3 Lack of Written Evidence Required for Audit

Two items of accounts totaling Rs. 170,285,768 could not be satisfactorily vouched in audit due to non-remission of title deeds or transfer orders and survey reports in support of the ownership.

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

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
(a) 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 Action had not been taken to recover revenue.
(b) Gazette Notification No 1999 Dated 23 December 2016 of the Democratic Socialist Republic of Sri Lanka.	128,460	Action had not been taken to recover revenue amounting to Rs. 93,780 for 49 advertisement boards fixed within the limits of the Sabha, according to the notification relevant to publicity advertisements for the year 2017.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 756,757 And 1647 (a)		While a full survey of vehicle tools had not been carried out, vehicles had not been examined when handing over from one officer to another officer tools belong to the Sabhahad not been made.
(d) Circular No. 1988/22 dated 17 May1988 of the Commissioner of Local.		Properties subject to rates had not been assessed once in five years
(e) Public Administration Circular No. 2016/30 dated 29 December 2016 Para graph 3.1		Fuel consumption tests of all vehicles belong to the Sabha had not been carried out.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over Recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs. 55,699,159 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 37,319,213 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

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	2017				2016			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
i Rates and Taxes	15,266,375	17,403,708	18,873,253	12,902,511	15,964,500	16,188,202	19,172,154	13,529,956
ii Rent	25,834,430	15,282,815	15,682,994	3,139,393	23,166,605	20,428,168	18,116,553	3,549,573
iii License Fees	4,400,630	4,263,287	4,273,287	10,000	3,240,360	3,372,933	3,352,932	20,000
iv Other revenue	53,992,495	44,000,000	46,506,665	79,622,624	68,897,000	56,950,000	36,059,505	82,339,164

2.2.2 Performance in Revenue Collection

While overall arrears of revenue at the beginning of the year under review amounted to Rs.99,438,693, billing relevant to the year had been Rs.80,949,810. Receipts, write-off and adjustments during the year amounted to Rs. 84,713,975 overall arrears of revenue as at 31 December 2017 amounted to Rs. .95,674,528.

2.2.3 Rates and Taxes

(a) Rates

- (a) While there was an arrears sum of Rs. 12,626,630 at the beginning of the year under review, out of arrears a sum of Rs. 6,222,705 or 49 percent had been recovered during the year.

- (b) While Rates billings for the year amounted to Rs.13,751,331, receipts during the year had been Rs. 8,858,172 or 64 percent.
- (c) Out of arrears of Rates at the beginning of the year under review, arrears to be recovered further amounted to Rs. 6,403,925. Out of that, arrears up to 3 years amounted to Rs. 2,133,581, while arrears between 3 and 5 years amounted to Rs. 3,964,559 and arrear exceeding 10 years amounted to Rs.1,543,760. Action in terms of provisions in the Act had not been taken with regard to Rates outstanding over a long period.

2.2.4 Rent

- (a) According to age analysis of Stalls Rent in arrears furnished, there was a sum of Rs. 1,002,950 due from 98 units outstanding for less than 1 year, a sum of Rs. 695,700 due from 23 units outstanding for 01 to 03 years and a sum of Rs. 1,382,500 due from 17 units outstanding for 01 to 05 years, were included in the Stalls Rent in arrears amounting to R. 3,081,150 as at 31 December 2017.
- (b) Out of the balance of Stalls Rent in arrears amounting to Rs. 2,910,700 at the beginning of the year under review, a sum of Rs. 666,000 or 23 percent only had been recovered .

2.2.5 License Fees

Industrial Tax

Out of the balance of arrears amounting to Rs. 896,325 at the beginning of the year under review, only a sum Rs.552,600 or 62 percent had been recovered.

2.2.6 Other Revenue

Tourism Development Tax

- (i) A fee up to one percent of total income had not been recovered from 08 hotels registered under the functions referred to in Tourism Development Fund Act No. 14 of 1968
- (ii) Action had not been taken to recover the sum of Rs. 91,635 under recovered for the year 2015 and the sum of Rs. 113,190 under recovered for the year 2016 from the Hotel Laluna.
- (iii) While there were instances of accepting accounts not certified by an accepted accounting body, tax had been recovered based only on the income of restaurants and bars. .

2.2.7 Court Fines and Stamp Fees

Court Fines amounting to Rs. 27,200,505 Stamp Fees amounting to Rs. 52,422,119 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017. However, it was observed that there was an overestimated sum of Rs.15,000,000 approximately in the balance of Court Fines .

3. Operating Review

3.1 Performance

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

Although by-laws have to be imposed under Section 126 of the Pradeshiya Sabha Act in order to perform 16 main functions, by-laws had been imposed only for 10 functions even up to 31 December 2017

(b) Failure to make provisions

An annual Budget had not been prepared for functions to be fulfilled according to the proposed annual action plan.

(c) Solid Wastes Management

While a sum of Rs.37,484,805 had been spent for wastes management for the year, by-laws had not been imposed for wastes management. While an environment license too had not been obtained for the areas used for disposal of wastes, charges for disposal of wastes had not been recovered from two workshops functioning in the area.

(d) Sustainable Development Targets.

The Sabha was not aware of sustainable development targets 2030 Due to that, long term planning for uplifting living condition and health of the people in the area of authority of the Sabha through global index had not been prepared even as at 11 June 2018.

3.2 Management Inefficiencies

- (a) It had not been possible to lease out 09 trade stalls in the Darga Town Public Market due to ignorance in construction of trade stalls.
- (b) In sale of lands after blocking out, lands with slopes not suitable for common amenities had been obtained.
- (c) There were instances of non-utilization of lands received for common amenities in land sales, for any development work.
- (d) Trade stalls located in the Aluthgama Weekly Fair spot had been demolished and modified during the year 2013 with the financial assistance of a non-governmental organization. Out of 38 trade stalls modified, only 05 stalls had been opened even as at 22 February 2018. While no

rent is recovered from all those stalls, stalls had not been planned facing the road so as to be more effective.

- (e) Upper floor slab of the Darga Town Public Market was not strong.
- (f) Although the responsibility of the Water Browsers had been entrusted to the Technical Officer, Water Browsers had been operated without her knowledge.
- (g) Tenders had been called for through newspaper notice for re- leasing the Building No. 290 belongs to Beruwala Pradeshiya Sabha, in Galle Road as the lease period elapsed on 01 December 2016. Accordingly, the Ayurvedic Corporation had agreed to pay the monthly rent of Rs. 60,000.

However, the previous lessee had not taken action to handover the building up to February 2018. Legal action had not been taken in this connection up to February 2018.

3.3 Human Resources Management

(a) Staff Vacancies and Excesses

- (i) A female management assistant in supra grade I had been appointed to cover the duties of the cost of the secretary.
- (ii) While there were 06 officers' vacancies in secondary level, there had been 03 excess employees.
- (iii) While there were 04 officers' vacancies in preliminary level, there had been 36 excess employees.
- (iv) Forty three employees who were made permanent in terms of Public Administration Circular No.25/2014 had not been absorbed to the approved cadre.
- (v) There were 27 casual, temporary and contract surplus employees

(b) Outside Visits without Approval

Instance of visits outside without recording in the visits register and without prior approval by employees in sub-offices of the Pradeshiya Sabha were observed.

3.4 Operational Inefficiencies

- (a) Although a sum of Rs. 499,995 had been spent to teach planting shoots in containers in some selected schools and public institutions in the Beruwala divisional secretariat division for the year 2017 , this project had not been implemented even up to 22 February 2018.
- (b) Although a sum of Rs. 500,000 had been paid to Padagoda Agrarian Services Committee in order to provide plants to the community in Beruwala Divisional Secretary Division for enhancement of tree planting, this project had not been implemented even up to 22 February 2018.
- (c) Activities of the Electrical Section had not been properly supervised.
- (d) Although Halkandavila Shopping Complex consist of 14 trade stalls had been allocated to varios institutions and individuals after completing construction works,

agreements had not been signed for the stalls No.01,02,08,09,10.While stalls rent too had not been recovered for these, stall No. 09 had not been used.

- (e) While Environmental Permits had not been issued for 03 establishments liable to obtain environmental permits which were identified during the year 2017, environment permits of 32 establishments which had obtained environmental permits during prior years had not been renewed.

3.5 Assets Management

3.5.1 Ensuring Security of Assets

Instances of failure in fixing name boards to ensure ownership of Lands belong to the Sabha were observed.

3.5.2 Assets not vested

Halkanadavila Shopping Complex had not been vested in the Sabha.

3.5.3 Idle and underutilized Assets

- (a) Twenty six trade stalls in Aluthgama Trade Complex belong to the Sabha had not been leased out for about 15 years.
- (b) A water browser belongs to the Aluthgama Sub-office remained idle.

3.5.4 Stores Shortages

According to the Inventory of the Aluthgama Sub-office, when the balance of 1000 liter water tanks is reconciled with the receipts during the year and physical balance as at 31 December 2017, there was shortage of 11 water tanks.

3.5.5 Vehicles Utilization

- (a) Running charts of 03 vehicles were not furnished.
- (b) Action had not been taken for disposal or repair and use 03 defunct vehicles.
- (c) Although a hand tractor had vanished while it was parked in Payagala Sub-office, it was not possible to ascertain the period in which it disappeared. According to Sabha report dated 15 June 2010, insurance installments for April 2010 had been paid. Necessary course of action had not been taken in this connection.

3.6 Contract Administration

Although the Project for Development of Beruwala Padagoda Samagi Avenue, valued for an estimated sum of Rs. 874,332 had been performed by a contracting organization which is not

an approved society, in selecting this organization, open quotations had not been called for so as to obtain more competitive prices for the benefit of the Sabha.

4. Accountability and Good Governance

4:1 Budgetary Control

Variances in a range from 07 percent to 41488 percent between the budgeted revenue and actual revenue, and variances in a range from 07 percent to 260 percent between the budgeted expenditure actual expenditure were observed. Therefore, the budget had not been made use of as an effective tool of management.

5. Systems and Controls

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 -----	Main deficiency in the system -----
(a) Accounting	Instances of omissions, under/over statements in the accounts.
(b) Assets Management	I. Lack of adequate measures for security of assets. II. Non-identification of assets properly III. Non-utilization of assets properly
(c) Stocks	I. Non-recording in reregisters. II. Informal stock control.
(d) Revenue Administration	I. Inadequate follow up action for recovery of tax arrears. II. Non-assessment of tax within specified time limit.
(e) Staff Management	I. improper cadre control. II. Failure to fill vacant posts.
(f) Budgetary Control	I. Material variances between the budget and actual expenditure. II. Unrealistic revenue estimates.