

**Bentota Pradeshiya Sabha
Galle Distract**

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 29 March 2019, the summary report of the Auditor General relating to those financial statements on 31 May 2019 and detailed management report on 14 June 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report, the financial statements give a true and fair view of the financial position of the Bentota Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the qualified opinion

(a) Accounting Deficiencies.

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(i) Motor Vehicle and Carts Expenditure amounting to Rs. 225,214 of the year under review had been capitalized.	Should be correctly accounted.	Will be corrected when preparing accounts for the Year 2019.
(ii) The sum of Rs. 10,000,000 provided to the Local Government Department as Sabha contribution for the construction of proposed building complex at Haburugala, a sum of Rs. 2300,000 had been shown as capital expenditure and a sum of Rs. 7,700,000 had been shown as debtors while a sum of Rs. 10,000,000 had been capitalized without being shown as advances.	Should be correctly accounted.	Will be corrected when preparing accounts for the Year 2019.

(iii) Estimated Court Fines for the year under review had been overstated in a sum of Rs. 1,040,347.

Should be correctly accounted.

Action will be taken to obtain correct information and correct in due course.

(iv) Provision had not been made for the contribution payable to the Local Government Pension Fund amounting to Rs. 4,13,199 and audit fees payable as at 31 December of the year under review.

Should be correctly accounted.

Will be corrected when preparing accounts for the Year 2019.

(b) Non-reconciled Accounts

Audit Observation

Recommendation

Comments of the Accounting Officer

A difference of Rs.32,984,736 was observed between the balances relevant to 06 items of accounts shown in the financial statements and the balances shown in the schedules relevant to those.

Action should be taken to reconcile differences in the relevant balances and make corrections.

It is a discrepancy existing since a long period. Action will be taken to correct in due course.

(c) Lack of written evidence for audit

Audit Observation

Recommendation

Comments of the Accounting Officer

Seven items of accounts totaling Rs. 140,240,670 could not be satisfactorily examined due to non-submission of required information.

Evidence to confirm account balances shown in the financial statements should be submitted.

Action will be taken to correct in due course.

(d) Accounts Receivable and Payable

(i) Accounts Receivable

Audit Observation ----- Particulars Amount Rs. -----	Period remaining unrecovered – Years -----	Recommendation -----	Comments of the Accounting Officer -----
Stamp Fees 16,379,501	From 03 to 10	Balances Receivable should be recovered.	Action will be taken to recover in due course.
Woks Grants 2,701,046 Receivable	From 04 to 07	Balances Receivable should be recovered.	Action will be taken to recover in due course.
Pre-payments 159,278	From 04 to 15	Balances Receivable should be recovered.	Action will be taken to recover in due course.
Salary 104,000 Reimbursements	09	Balances Receivable should be recovered.	Action will be taken to recover in due course.

(ii) Accounts Payable

Action had not been taken as well during the year under review to settle Work Creditors balances amounting to Rs. 6,890,074 existing since a period prior to 2016 and 07 Expense Creditors balances amounting to Rs. 859,446 outstanding from the year 1991 to the year 2012,

Balances Payable
should be settled.

Action will be taken
to make payment in
due course.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988. (i) Rules 217 and 218	-	While a survey had not been made with regard to all lands and buildings belong to Sabha, a Register in Form P.S. 4 too had not been maintained.	Rules should be complied with.	Proper action will be taken in due course.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	1,304,717	Action had not been taken with regard to Deposits that had elapsed more than a period of 02 years.	Financial Regulations should be complied with.	Action will be taken to correct in due course.

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 2018 amounted to Rs. 14,009,586 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 15,949,889

2.2 Financial Control.

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the debit and credit balances in the Cash Transfer Account should be equal to each other at the	Account should be settled after accounting	Position shown in the paragraph accepted. Will be corrected in due course.

end of the year, and balanced, a debit balance of Rs.73,102 was shown properly.

2.3 Revenue Administration

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

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	22,123,117	18,156,859	18,283,719	10,121,943	13,667,900	23,956,022	17,277,023	10,125,943
Rent	1,270,000	528,560	1,038,522	50,050	1,562,000	1,018,700	985,862	102,883
License Fees	626,500	635,150	727,350	18,250	897,500	874,135	930,235	43,225
Service Charges	4,189,000	321,807	3,589,932	5,040	4,629,900	4,654,646	4,654,646	1,040
	<u>28,208,617</u>	<u>19,642,376</u>	<u>23,639,523</u>	<u>10,195,283</u>	<u>20,757,300</u>	<u>30,503,503</u>	<u>23,847,766</u>	<u>10,273,091</u>

2.2.2 Performance in Revenue Collection

Audit Observation

Recommendation

Comments of the Accounting Officer

Although the revenue to be collected during the year under review was Rs.29,913,467, revenue collected had been Rs.23,638,523. Accordingly, there was balance of arrears amounting to Rs.10,195,283 as at 31 December of the year under review.

Arrears of Revenue should be recovered soon.

Action will be taken to expedite recovery of revenue in the future.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Court Fines amounting to Rs. 933,812 and Stamp Fees amounting to Rs. 35,398,665 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2018.</p>	<p>-----</p> <p>Arrears of revenue should be recovered soon.</p>	<p>-----</p> <p>Action will be taken to recover in due course.</p>

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) Action Plan

Audit Observation

An Action Plan had not been prepared for activities to be fulfilled by the Sabha according to the by-laws imposed.

Action Plan should be prepared according to the by-laws..

An Acton will be prepared for the year 2019.

(b) Solid Wastes Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Garbage collected in the area of authority are dumped in the Jambughapitiya Watta Land belongs to the Sabha. As this is an area in close proximity to the tourist city and highly populated, people were suffering from the highly bad smell</p>	<p>-----</p> <p>A long term scheme should be prepared and standardize the solid wastes management.</p>	<p>-----</p> <p>Long term scheme will be prepared after obtaining a land.</p>

blowing from garbage and flies and mosquito calamity.

A long term scheme had not been prepared according to guidelines in the Gazette Notification No. 2015/53 dated 20 April 2017 as well.

(c) Achieving Sustainable Development Objectives

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The Sabha had not prepared long term plans for uplifting living condition and health of the people in the area of authority through global indexes for sustainable development objectives and goals in the Agenda for Sustainable Development 2030.	Long term plans for sustainable development should be prepared and peoples' living condition should be uplifted.	A plan will be prepared to uplift the living condition of the people in the area of authority in due course.

3.2 Human Resources Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) While the number of surplus employees exceeded the approved cadre was 05, number of vacancies had been eleven. Steps had not been taken to regularize the surplus cadre and to fill the vacant posts.	Action should be taken to make proper recruitment for vacancies and to regularize the excess posts.	Action will be taken to regularize the posts.
(b) Staff loans amounting to Rs. 239,416 due from 29 retired, vacated service and deceased officers had not been recovered during a long period of time.	Dormant staff loans should be recovered.	Action will be taken to recover in due course..

3.4.1 Non-assurance of Safety of Assets.

Audit Observation	Recommendation	Comments of the Accounting Officer
Although a sum of Rs. 802,884 had been spent for full overhaul of the engine of a cab vehicle, the engine had been defunct before expiry of the one year guarantee period. While the establishment carried out repairs had informed the Sabha that responsibility of this cannot accepted as the drivers had not complied with the instructions given, an estimate for Rs. 2,682,755 had been obtained through the agency of vehicle to repair it again. Although the mechanical engineer had informed through a letter dated 05 April 2018, that a preliminary investigation should be carried out in this connection, preliminary investigation had not been carried out up to 15 February 2019.	Action should be taken to identify the parsons and recover the loss.	A preliminary investigation is going on through the Local Government Department.

4. Accountability and Good Governance

4.1 Budgetary Control.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Entire provision in one item of expenditure had been saved due to failure in application for the expected purposes.	Realistic estimates should be prepared.	Action will be taken to reach expenditure targets in the ensuing year.
(b) While the total adverse variance of 02 items of revenue amounted to Rs. 5,870,079 those were in a range from 21 percent to 99 percent.	Realistic estimates should be prepared.	Action will be taken to reach revenue targets in the ensuing year.

(c) While there were savings totaling to Rs. 16,629,664 in 04 items of expenditure, those were in a range from 23 percent to 65 percent.

Realistic estimates should be prepared.

Action will be taken to reach expenditure targets in the ensuing year.

4.2 Internal Audit

Audit Observation

While an adequate internal audit had not been carried out in terms of provisions in financial regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and circular No. SLG/GO/01/N.C.L dated 24 February 2014 of the Commissioner of Local Government (Southern Province), internal audit reports had not been submitted to the Auditor General.

Recommendation

Financial regulations and circulars should be complied with.

Comments of the Accounting Officer

Action will be taken to carry out an internal audit and send the reports in due course.