

Bulathsinhala Pradeshiya Sabha
Kaluthara District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 28 February 2020 and the report of the Auditor General on 30 July 2018 and the Detailed Management report on 30 September 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described under the Section of basis for the qualified opinion of this report, Financial Statements give a true and fair view of the financial position of the Bulathsinhala Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Action had not been taken to adjust the financial statements by displaced books valued at Rs.117,148 identified by the Library book Survey in the year 2018.	Should be accounted correctly.	Action will be taken to adjust the value in the final accounts of 2020 after finalizing the Library book survey.
(ii) 78 items were identified to sell or dispose by the stock verification of the year 2018, but the value of them had not been write down from the financial statements.	Should be accounted correctly.	Action will be taken to rectify by the final accounts of 2020
(iii) Action had not been taken to enter the value of 08 land owned by the council in to the Financial Statements.	The value of the land should be assessed and enter to the Financial Statements.	Action will be taken to rectify by the final accounts for the year 2020 after assessing the value of all the land belonging to the council.

(iv)	The balance of the Receivable Advance account amounting to Rs.43,859 left long time had not been settled to the Expenditure accounts of the year under review.	Should be accounted correctly.	Action will be taken to account correctly.
(v)	Goods valued at Rs.383,270 had been distributed for private preschools and those goods had not been accounted as Council assets in the financial statements.	Should be accounted correctly.	Action will be taken to account correctly.
(b)	Suspense account ----- Audit observations ----- The credit balance in the suspense account amounting to Rs.116,297 had not been correctly identified and reconcile with the accumulated fund.	Recommendations ----- Balances of the suspense account should be correctly identified and relevant reconciliation should be done.	Comments of the Accounting Officer ----- Since all the accounts have reconciled with their respective sub registers this value could not be identified and as such was solved using the Cumulative.
	(c) Receivable and Payable accounts ----- Audit observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i)	Action had not been taken to settle the balances of Work Debtors and Work Creditors amounting to Rs.58,543 and Rs.782,536 respectively due more than 03 years.	Action should be taken to settle the balances.	Action will be taken to settle in the year 2020.
(ii)	Action had not been taken to settled the payment amounting to Rs.952,001 to be paid to the Department of Pension in the year 2015 to 2017.	Action should be taken to settle the balances.	Action will be taken to settle in future.

1.4 Non-compliance

Non-compliance of Laws, Rules, Regulations and Management decisions

References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1987 Pradeshiya sabha Act No.15			
(i) Section 21	The total of the number of roads belonging to the council had not been identified by the Grama Sewa division.	The total number of roads belongs to the council should be identified by Grama sewa division	Action will be taken to rectify in future.
(ii) Section 134(1)	A new identification had not been done by the council for Assessment tax.	Action should be taken in accordance with the Pradeshiya sabha Act.	Action had not been taken as according to the paragraph 134(1) of the Peadeshiya Sabha Act since the area is facing natural disasters.
(iii) Section 143(1)	Action had not been taken to revise the Assessment of a Property whose assessment had physically changed.	Action should be taken according to the Pradeshiya Sabha Act.	Action will be taken in the year 2020.
(iv) Section 160	Prohibition of property had not been done as the final step of collection of arrears of Assessment Tax.	Action should be taken according to the Pradeshiya Sabha Act.	Action will be taken to recover the arrears regarding the Act in the year 2020.
(b) Rule 218 of 1988 Pradeshiya sabha (Financial Administration)	An annual inspection had not been conducted on all the Land and Buildings belonging to the Council.	Action should be taken according to the rules.	Action will be taken to conduct inspection on an annual basis.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.8,003,584 as compared with the

corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.3,318,814.

2.2 Revenue Administration

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

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and tax	4,263,767	3,552,662	3,438,728	686,754	3,538,767	3,147,502	2,927,209	708,683
ii. Rent	4,205,000	374,821	1,016,814	35,622	4,960,000	-	650,110	-
iii. License fees	756,000	715,334	793,049	8,000	610,000	350,000	716,443	-
iv. Other income	24,330,000	-	18,176,299	-	21,580,000	-	13,577,105	-
Total	33,554,767	4,642,817	23,424,890	730,376	30,688,767	3,497,502	17,870,867	708,683

2.2.2 Performance of collection of revenue

Audit observations

The arrears of Acreage tax amounted to Rs.71,868 as at the beginning of the year under review and as at 30 June 2020 only an amount of Rs.14,638 had been collected.

Recommendations

Action should be taken to collect the arrears of income.

Comments of the Accounting Officer

Action will be taken to collect in future.

2.2.2 Court fines and Stamp duties.

(a) Court fines

Audit observations

The court fines of the beginning of the year under review amounted to Rs.5,735,667 as according to the financial statements and an amount of Rs.5,500,000 had been billed for the year under review. The receivable court fines as at 30 June 2020 amounted to Rs.7,457,748.

Recommendations

Action should be taken to collect arrears of income as soon as possible.

Comments of the Accounting Officer

The required action to collect will be taken.

(b) Stamp fees

Audit observations

The arrears of Stamp fees as at the beginning of the year under review amounted to Rs.12,689,345 and an amount of Rs.8,500,000 had been billed for the year under review. The receivable stamp fees as at 30 June 2020 amounted to Rs.8,353,995.

Recommendations

Action should be taken to collect arrears of income as soon as possible.

Comments of the Accounting Officer

The required action to recover will be taken.

3. Operational Review

3.1 Performance

Audit observations

- (a) Although the provision amounting to Rs.2,200,000 had been done under the Funds for the Development of roads, for the year 2019 and it was identified in the Action plan but the above provisions had not been used.
- (b) 13 Road projects costing Rs.12.4 million identified by the Action Plan under external provision had not been fulfilled in the year 2019

Recommendations

- A correct action plan should be prepared according to the relevant Circulars.
- Action should be taken under the action plan.

Comments of the Accounting Officer

- Majority of the identified roads entered in to the action plan had been fulfilled using external provisions.
- Majority of the external project are completed up to now.

and 24 projects not in the action plan amounting to Rs.19.36 million under external provision had been fulfilled in the year under review.

Approval should be taken for work included to the Action Plan.

3.2 Management inefficiencies

Audit observations	Recommendations	Comments of the Accounting Officer
(a) Although Community Society should be established for each Grama Nialdhari division within the area of authority of the council, action had not been taken to establish only 21 Community Society out of 54 Grama Nialadari division.	Community Society should be established for each Grama Niladhari division.	community boards had been established for 21 Grama Niladhari division.
(b) Action had not been taken to settle the Credit balance amounting to Rs.4,260,117 of the Receivable Salary reimbursable account.	Action should be taken to settle the balances.	Action will be taken to settle in the future.

3.3 Human resource management

Audit observations	Recommendations	Comments of the Accounting Officer
(a) Vacancies Action had not been taken to recruit to a Librarian position, a Revenue Inspector position, two Preschool teacher positions, a Work inspector position, a Health supervisor position, a Machine operator position, a Labour position, and a Health worker position.	Required action should be taken to fulfill the vacancies.	The Western province commission who is the officer in charge of recruiting to the librarian has been notified. Since there is a lawsuit regarding the position of the Revenue Inspector position, recruitment had been abandoned. Action will be taken to recruit to the remaining positions.
(b) Unrecovered Staff Loans Action had not been taken to recover a loan balance of Rs.78,507 due from 03 workers retired or deceased as at 30 June 2020.	The arrears of Loans should be recovered in exigent.	Relevant action is being taken to recover loans.

3.4 Asset Management

3.4.1 Ensuring the protection of the asset

Audit observations

Fences had not been built before being used for community facilities after legally surveyed 04 lots of land reserved for Community facilities as such encroachers had taken over the lands.

Recommendations

Action should be taken by the council to protect and use the land for the development work set aside for public facilities.

Comments of the Accounting Officer

The council is not in a financial position for development of the land and action will be taken to surveyed and settle in the future.

3.4.2 Identified Losses

Audit observations

An amount of Rs.7,840,000 had to be paid by the council due to a court case filed by a Private company against the council, where the court had given an advantageous position in the initial stages of the case and after appeals bought forward by the company, the council had ignored the case and as such had gotten a disadvantageous decision.

Recommendations

Action should be taken to recover the expense incurred from the council funds from the relevant officer.

Comments of the Accounting Officer

A letter had been sent to the Commissioner of Local Government for an investigation on the relevant matter.

3.5 Procurement

Contract administration

Audit observations

Core testing or Cube testing could be used to confirm the quality of the concrete of the roads by using same sample, but an amount of Rs.131,189 had been paid for 05 projects to conduct separately both Core testing and Cube testing.

Recommendations

When constructing concrete roads, both Core and Cube tests should be done properly using same sample.

Comments of the Accounting Officer

Such is not done at the moment and all samples are obtained under the supervision of technical officers. It is expected to use this method in future.