

**Bandaragama Pradeshiya Sabha**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 31 March 2014 while Financial Statements relating to the preceding year had been submitted on 28 April 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 01 December 2014.

**1.2 Opinion**

Due to the importance matters appearing in paragraph 1.3 this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Bandaragama Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following observations are made.

- (a.) Instead of debiting the Library Books Account and crediting the Contribution from Revenue to Capital Outlay Account for correction of the opening balance of the Library Books Account amounting to Rs.191,964 had been credited to the Accumulated Fund Account.
- (b.) Instead of crediting a sum of Rs. 65,219 to the Accumulated Fund account having debited a sum of Rs. 8,810 to the Staff Security Deposits Account and sum of Rs. 56,409 to the staff Security Investments Account, for correction of the error pointed out in paragraph 2.2.1 of my report for the preceding year, a sum of Rs. 73,119 had been credited to the Staff Security Deposits Account having debited the Staff Security Investments Account.
- (c.) The loans installments of Rs. 706,145 deducted from the Salary Reimbursements in respect of the Cab Vehicle provided by the Local Government Department on loan basis had not been accounted.
- (d.) Instead of complying with the instructions given in letter No. LGD/01/E/2012/10 dated 20.08.2014 by the Commissioner of Local Government of the Western Province with regard to the accounting for the cab vehicle valued at Rs. 3,178,457 provided by the

Local Government Department during the year under review, full value had been credited to Contribution from Revenue to Capital Outlay Account having debited the Assets Account.

- (e.) The Balance of the Works Creditors Account had been understated in a sum of Rs.25,687.
- (f.) Other Revenue balance of Rs. 33,748,486 according to the Main Ledger, had been recorded as Rs. 33,751,787 to the Revenue and Expenditure Account.
- (g.) While Works Revenue in arrears amounting to Rs. 26,733,120 for the year under review had been credited to the Capital Grants Account, having debited the Revenue in Arrears Account, Capital Grants Account had been credited again having debited the Other Revenue in Arrears Account in a sum of Rs.50,234,779 as the amount in arrears relevant to the year under review. Due to that, the balance of the Works Grants in Arrears Account and the Capital Grants Revenue had been overstated in a sum of Rs.50,234,779.
- (h.) Although the balance of the Tender Deposits Payable Account had been shown as Rs.128,984 since the year 2011, it had been shown as a Receivable Balance in the financial statements for the year under review.

### **1.3.2 Lack of Evidence for Audit**

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Transactions totalling Rs. 49,747,634 could not be satisfactorily vouched in audit due to non-submission of required Information.

## **2. Financial Review**

### **2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 had been Rs. 1,295,262 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.7,755,603 in the preceding year.

### **2.2 Revenue Administration**

#### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

|       | Source of Revenue | Estimated | Actual   | Cumulative Arrears<br>as at 31 December |
|-------|-------------------|-----------|----------|---|
|       | -----             | -----     | -----    | -----                                   |
|       |                   | Rs.'000   | Rs.' 000 | Rs. '000                                |
| (i)   | Rates and Taxes   | 9,020     | 7,072    | 8,758                                   |
| (ii)  | Lease Rent        | 181       | 160      | 181                                     |
| (iii) | Licence Fees      | 90,272    | 14,859   | 117,005                                 |

### 2.2.2 License Fees

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Following matters were observed with regard to obtaining the annual licenses by the business places carried on, in the area of authority of the Sabha relevant to the year 2013.

- (a.) Out of the 157 Licensees relevant to 18 categories of licenses, 104 individuals had obtained the licenses after the month of April 2013.
- (b.) Although businesses relating to sale of vegetables, florists, chemical fertilizer/agro chemicals and fish stalls are carried on within the area of authority, according to the Register of Licenses any such trade stalls had not obtained licenses.
- (c.) Any step had not been taken by the Sabah with regard to the delay in obtaining licenses and not taking licenses up to 30 June 2014, date of audit.

### 2.2.3 Court Fines and Stamp Fees

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Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were as follows.

|             |            |
|-------------|------------|
|             | Rs.        |
| Court Fines | 6,326,485  |
| Stamp Fees  | 66,276,297 |

### 3. Operating Review

#### 3.1 Contracts Administration

Following observations are made.

(a.) Bandaragama Malwatta Road 2<sup>nd</sup> Lane (Stage 1)

An estimate for Rs. 1,000,000 had been approved on 14 August 2013 for construction of the above road to the extent of 126 meters length and 3.66 width. Following matters were revealed at the physical inspection carried out with the Technical officer of the Sabha on 27 June 2014.

- (i.) Although 19000 concrete blocks should be laid for a Project amounting to Rs.1,000,000, according to the letter No.MPPH/HYW/MNG/D dated 01 August 2013 of the Director Maga Neguma of the Ministry of Harbor and High Ways, 17200 stones were shown according to the estimate and the payment report.
- (ii.) Although a sum of Rs. 9,008 had been paid for earth filling on the two sides of the road, earth filling had not been done.

(b.) Road up to Kamburugoda Vilegoda Public Well

An estimate for Rs.1,000,000 had been approved on 16 August 2013 for construction of the above road to the extent of 126 meters length and 3.66 width. Following matters were revealed at the physical inspection carried out with the Technical officer of the Sabah on 27 June 2014.

- (i.) The estimate for laying the 17200 had been prepared contrary to the Ministry instructions.
- (ii.) At the physical inspection it was observed that the length had been 194.3 meters while the width including the concrete barrier had been 3.5 meters. The width of the concrete barrier had been 0.3 meters. According to measurements taken from 3 places of the road completed, 41 stones per meter (an average quantity) had been laid and accordingly it was confirmed that 25490 stones had been laid on the road surface. However, a supplementary estimate had not been prepared for 14651 stones laid for 74. 3 meters in excess of the estimate and any information were not furnished with regard to the source of additional provision obtained.
- (iii.) Left side bund of the road at a distance of about 50 meters from the public well side had been cracked and broken.

- (iv.) Although a sum of Rs. 9,008 had been paid for earth filling on the two sides of the road, earth filling had not been done.

### 3.2 Operational Inefficiencies

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(a.) **Cheques not presented for Payment**

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Action in terms of financial regulation 396 (d) had not been taken with regard to 17 cheques totalling Rs.50,234 which had not been presented for payment for a period exceeding 06 months as at 30 April 2014, relevant to two current accounts of the Sabah.

(b.) **Settlement of Advances**

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Although an advance given for a particular work should be settled immediately after completion of such work in terms of Financial Regulation 371(a) of the Republic of Sri Lanka, advances amounting to Rs. 317,000 given in 8 instances during the year 2013 had been settled after 02 to 09 months delay. While there was an unsettled balance of advances amounting to Rs. 4,161,182 as at 31 December 2013, an unidentified balance of Rs. 881,105 included therein had been outstanding for a period prior to the year 2000.

(c.) **Staff Security**

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Security money had not been furnished by 27 individuals out of 37 officers and employees who are required to furnish security.

(d.) **Collection of Milk Centre Income**

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While the collections of the Milk Centre belongs to the Sabha, carried on near the Head Office of the Sabha had not been remitted daily to the Sabha, daily remittance had been delayed for a time range from 03 to 06 days.

(e.) **Vehicles Accidents**

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While a cab vehicle belongs to the Sabha had met with an accident during the year 2013, a sum of Rs.108,480 had been paid for repairs to the vehicle. Action in terms of Financial Regulations 103(1) and 104(1) of the Republic of Sri Lanka had not been taken in that connection.

### 3.3 Improper Transactions

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- (a) While the Secretary of the Sabha had taken leave on 04 October 2013, the Superintendent of Works had taken leave on 04, 23 October and 23 November 2013. However in audit sample checks it was revealed that those officers had obtained allowances at the rate of Rs. 650 per day, for the Planning Committee meetings conducted on those days.

- (b) Five Motor Cycles belong to the Sabha had been provided to 5 employees of the Sabha on condition that they should obtain fuel required. Although it had been mentioned in the assignment letters that the works relating to periodical servicing and maintenance should be fulfilled by the assignees, a sum of Rs. 143,926 had been incurred by the Sabha in that connection during the year 2013.

### **3.4 Human Resources Management**

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There was shortage of 18 employees and a surplus of 4 employees in the approved cadre of the Sabah as at 31 December 2013.

### **4. Systems and Controls**

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Special attention is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Revenue Administration
- (iii.) Financial Control
- (iv.) Assets Management
- (v.) Stock control