

Beruwala Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 24 March 2014 while Financial Statements relating to the preceding year had been submitted on 27 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 19 November 2014.

1.2 Opinion

Due to the importance matters appearing in paragraph 1.3 of 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 Beruwala 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Although all Local Authorities should prepare own financial statements based on the Sri Lanka Public Sector Accounting Standards according to the Public Enterprises Circular No. PED 54 dated 19 January 2010, that requirement had not been complied with by the Sabha.

1.3.2 Accounting Policies

Accounting Policies adopted in preparation of the financial statements had not been disclosed in the financial statements.

1.3.3 Accounting Deficiencies

Following observations are made.

- (a.) The payment of Rs. 642,961 made for the creditors during the preceding year had been accounted as expenditure instead of accounting it in the Works Creditors Account. Although it should be debited to the Creditors Account and credited to the Expenditure Account of the year under review in order to correct the error, it had been credited to the Creditors Account having debited the Accumulated Fund Account.

- (b.) Although there was a stock balance of Rs. 223,450 relating to 06 items in the Stock Ledger as at the end of the year under review, according to the schedule of stock the value of those items had been Rs. 147,600 and therefore issues of General Stores had been overstated in a sum of Rs. 75,850 and value of balance Stock had been understated to that extent.
- (c.) Although a sum of Rs. 47,148,535 had been received for reimbursement of salaries for the year under review, a sum of R. 67,907,003 had been accounted as billing for salary reimbursements. Due to that, Revenue for the year and the balance of the Salary Reimbursements Account had been overstated in a sum of Rs. 20,758,468.
- (d.) Although there was a stock balance of Rs. 25,740 relating to MV Chokes in the Stock Ledger as at the end of the year under review, according to the schedule of stock the value of those items had been Rs. 5,940 and therefore issues of Electrical Stores had been overstated in a sum of Rs. 19,800 and value of balance Electrical Stock had been understated to that extent.
- (e.) Although the loan installments amounting to Rs. 706,272 paid during the year under review for the cab vehicle valued at Rs.3,178,456 provided by the Commissioner of Local Government to the Sabha on the basis of recovering the value through salary reimbursement, should be debited to the Capital Expenditure Account and credited to the Contribution from Revenue to Capital outlay Account, full value of the vehicle had been debited to the Capital Expenditure Account and credited to the Contribution from Revenue to Capital outlay Account and therefore balances of those two accounts had been overstated in a sum of Rs. 2,472,184.

1.3.4. Lack of Evidence for Audit

Transactions totalling Rs. 127,861,170 could not be satisfactorily vouched in audit due to lack of required information.

2. Financial and Operating 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 2013 had been Rs. 66,345,982 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.21,901,837 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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 as at 31 December
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	15,488	9,826	11,302
(ii)	Lease Rent	13,409	10,800	3,758
(iii)	Licence Fees	1,682	1,654	28
(iv)	Other Revenue	45,000	32,371	19,068

2.2.2 Rates

Rates amounting to Rs. 7,543,992 were in arrears as at 30 October 2013. Out of those balances, arrears of balances that had been brought forward over a period more than 05 years amounted to Rs. 1,023,731 and balances brought forward during a range of years between 01 and 05 amounted to Rs. 6,314,340.

2.2.3 Stalls Rent

- (a.) Rent in arrears amounting to Rs. 11,850 relevant to a time range from 5 to 12 months due from 04 stalls in the Maggona Public Market and Rent in arrears amounting to Rs. 239,200 relevant to a time range from 3 to 10 months due from 18 stalls in Public Trade Complex were outstanding to be recovered even as at 31 October 2013.
- (b.) Action had not been taken to re-tender for 8 Vegetable Stalls for which quotations were not received up to 07 November 2013, date of audit.
- (c.) Although the Old Stall No. 06 of the Weekly Fair and 8 Stalls in the New Trading Complex had been vested in the Sabha on 31 July 2012, those stalls remained unutilized up to 07 November 2013, date of audit.
- (d.) Action had not been taken to renew the agreements expired during the years 2002, 2003 and 2007 respectively, relating to 3 Stalls in the Maggona Public Market belong to the Payagala Sub-office and one Fish Stall in Kuda Payagala, even up to 07 November 2013, date of audit.

2.2.4 Court Fines and Stamp Fees

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

	Rs.
Court Fines	16,439,536
Stamp Fees	29,728,986

2.3 Un-economic Transactions

While a sum of Rs. 8,192,000 had been paid during the period from January 2010 to December 2013 to obtain a Chain Loader on hire basis for spreading garbage, a feasibility study had not been made to decide whether a chain loader should be purchased or hired. However, a new Road Rolling Machine had been purchased by the Sabha for sum of Rs. 9,016,253 on 23 July 2013. Necessity to purchase a Chain Loader had been ignored through the purchase of a new Road Rolling Machine, although the Sabha was in the possession of a Road Rolling Machine at that time.

3. Operational Review

3.1 Contracts Administration

- (a.) Thirty Projects for which provisions amounting Rs. 22,573,000 were approved by the Ministry of Harbor and Highways for development of roads by spreading concrete blocks under Maga Neguma Rural Roads Development Project – 2013 had not been implemented even up to 17 January 2014.
- (b.) Although the Meenachchikanda Road to a length of 98.4 meters under Stage 2, and the road in front of the Ilankanda Nursery School to a length of 87.5 meters had been developed by spreading concrete blocks, a Road Plan had not been prepared to enable the identification of the sections developed under each stage and therefore it was found difficult to identify the sections developed by the Sabah specifically at the field inspection carried out with the Technical Officer of the Sabha on 08 November 2013.

3.2 Management Inefficiencies

(a.) Payment of Advances

Action had not been taken to settle Advances granted totalling Rs. 479,625 from the year 2008 to the year 2012, even up to 13 may 2014, date of audit.

(b.) Laying Water Pipes

Although an estimate for Rs. 400,000 had been sent by the Sabha on 15 March 2013 to the Water Supply and Drainage Board, for reconstruction of the Aluthgama Purwarama road broken near the Railway Crossing for laying water pipes, action had not been taken to get the money to reconstruct the road up to 08 November 2013, date of audit.

(c.) Vehicle Control

- (i.) While running charts of 11 vehicles belong to the Sabha had not been submitted to audit, fuel orders had been recommended for those vehicles and fuel amounting to Rs.3,551,770 had been issued.
- (ii.) While a request had been made for a full overhaul of a cab vehicle on 19 August 2013, and approval had been given on the same day, a sum of Rs.101,788 had been spent to repair a gear box on the same day. Action had not been taken to get back the vehicle up to 08 November 2013 after repairs.
- (iii.) A survey had not been carried out with regard to vehicles.
- (iv.) Log books had not been maintained properly with regard to any vehicle belong to the Sabha.
- (v.) A schedule had not been maintained indicating particulars relating to spare parts, equipment and components removed in repairing vehicles or fixing spare parts.

3.3 Assets Management

- (a.) Trailer valued at Rs. 300,000 purchased on 28 February 2013 and the Road Rolling Machine valued at Rs.9,016,253 purchased on 23 July 2013 had not been recorded in the Register of Fixed assets.
- (b.) A Survey with regard to Land and Buildings belong to the Sabha in terms of Pradeshiya Sabah Regulations (Finance and Administration) 1988, 203 and 217 and an annual Board of Survey in terms of Financial Regulation 756 had not been carried out even up to 08 November 2013, date of audit.
- (c.) A broken and defunct Photo Copying Machine, a Ronio Machine, a Fax Machine, a Finger Marking Machine and 3 Typewriters had been kept in the stores getting rusted over a number of years.
- (d.) A fixed Assets Register had not been maintained with regard to computers and components in terms of the Treasury Circular No. IAI/002/02 dated 28 November 2002.

4. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Internal Control
- (iii.) Budgetary control
- (iv.) Revenue Administration
- (v.) Contracts Control
- (vi.) Vehicles Control