

Balapitiya Pradeshiya Sabha

Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 27 March 2013 and the financial statements for the preceding year had been presented on 28 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 12 September 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Balapitiya Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Balapitiya Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Provisions had not been in the financial statements for a sum of Rs.3,768,211 payable in respect of works and therefore, capital expenditure for the year under review and the creditors had been understated by Rs.3,768,211.
- (b.) Although the income from stamp fees amounted to Rs.19,396,480; it had been shown in the financial statements as Rs.17,760,551 thus understating the revenue debtors by Rs.1,635,929.
- (c.) Provisions had not been made in the financial statements for contributions amounting to Rs.6,059,412 payable to the Department of Pensions in respect of Local Government employees retired as at 31 December of the year under review.

- (d.) The total of the balances of 06 items of accounts as per relevant control accounts amounted to Rs.41,988,402 whereas the total of the balances of accounts as per subsidiary registers amounted to Rs.51,479,924. Accordingly there was a difference of Rs.9,491,522.

1.3.2 Lack of Evidence for Audit

(a.) Un-answered Audit Queries

Replies had not been furnished for 02 audit queries as at 31 December of the year under review. The value of quantifiable transactions relating to the audit queries amounted to Rs.3,079,962.

(b.) Non-submission of Information to audit

Transactions totaling Rs.122,722,396 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.16,909,912 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,264,049 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000

(i.) Rates and Taxes	4,551	4,512	12,675
(ii.) Lease Rent	4,557	1,366	664
(iii.) Licence Fees	1,702	5,355	225
(iv.) Other Revenue	55,340	47,104	20,867

2.2.2 Licence Fees of 1%

According to Section 149 of the Pradeshiya Sabha Act No.15 of 1987; 1% charge on the income for the preceding year should be charged from the hotels, eating houses and lodges registered at the Sri Lanka Tourism Promotion Authority. However, 1% charge had not been recovered for the year 2012 from 02 hotels run within the area of authority of Sabha.

2.2.3 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

		Rs.
(i.) Court Fines		550,825
(ii.) Stamp Fees		20,316,152

2.2.4 Lease of Stalls

The matters observed at the spot check carried out on 26 February 2013 in respect of the lease of stalls at the General Market, Balapitiya are shown below.

- (i.) 04 stalls leased for retail sale, 04 shops and all the 16 vegetable stalls had been kept closed by the lessees.
- (ii.) According to Condition No.12 of the agreement entered into with the lessees the Sabha is vested with power to remove the lessee and recover the rent in case of failure to pay rent more than 02 months. Nevertheless, lease rent amounting to Rs.632,510 had remained outstanding due to action not being taken accordingly.
- (iii.) According to Paragraph 05 of the Circular No.දපපා/පපාකො/2010/01 dated 27 December 2012 of the Commissioner of Local Government, every agreement should be renewed once in 03 years and according to paragraph 06 a new

assessment should be done once in 05 years. However, the period of agreement of all the 16 vegetable stalls had been lapsed in the year 1999 and the period of agreement of 04 stalls and 06 shops had been lapsed in the year 2010. The Sabha had not entered into new agreements even up to the date of audit examination.

- (iv.) It was observed that the payment hawkers are selling goods on the corridor entering to the stalls and the surrounding of the stalls had remained uncleaned.

2.3 Surcharges

A sum of Rs.193,306 had been recoverable as at 31 December 2012 in respect of surcharges levied by me during the previous years in terms of the provisions of the Pradeshiya Sabha Act No.15 of 1987 against the persons responsible.

2.4 Transactions Not Supported by Adequate Authority

According to the Management Service Circular No.28 dated 10 April 2006, the prior approval of the Department of Management Services should be obtained in case of making recruitment on permanent, temporary, casual, substitute, contract or any other basis. Nevertheless, the Sabha had recruited 23 employees without obtaining such approval and salaries and allowances amounting to Rs.4,243,409 had been paid from the Sabha Fund during the year 2012.

2.5 Street Lamps Maintenance Allowance

The Sabha had spent a sum of Rs.2,151,948 for purchase of street lamps and a sum of Rs.670,689 for the maintenance of the street lamps during the year 2012.

- (i.) Agreement had not been entered in to with the Ceylon Electricity Board for the year 2012 in respect of obtaining allowances for maintenance of street lamps.
- (ii.) A register showing the details of the street lamps maintained within the area of authority had not been maintained.

2.6 Auction of Lands

The following observations are made in this connection.

(a.) Welitara Land

- (i) The land at Welitara to the extent of 02 Acres 11.50 perches had been subdivided to 38 blocks by plan No.1860 and a development licence had been

issued on 17 August 2012. The approval had been given for the Sub-division relating to the plan No.1860 whilst no approval had been given to the earlier sub-division of the land to the extent of 03 Acres 03 Roods 03 Perches.

- (ii) Title deeds and plans relating to the land had not been prepared and approval had not been obtained for the same. The 10% of land which should be given to the Sabha had also not being given.
- (iii) According to Section 7(iii) of the Circular No.5/2/1/384 issued on 16 December 2008 by the Chairman of the Urban Development Authority, the Sabha should issue conformity certificates before selling the blocks at Rs.1,000 for the first block and Rs.500 for the balance blocks in respect of sub-divisions. Nevertheless, the auctioneer had sold all the blocks of land as at 01 March 2013; the date of audit examination without obtaining conformity certificates. The Sabha had to suffer a loss of Rs.19,000 due to non-obtaining of conformity certificates.

(b.) Mahapelana Watta Land at Kosgoda

- (i.) Three Acres 38 Perches of the Mahapelhena Watta, Kosgoda had been sub-divided by plan No.3665 and Block-out Plan had been prepared on 01 June 2011. Approval of the Sabha had been given on 03 November 2011 to sub-divide a part of this land to the extent of 02 Acres 38 perches into 35 blocks by plan No.3684 and to auction the land.
- (ii.) A spot check carried out on 01 March 2013 revealed that the owner of the adjoining land had constructed a well and a part of the temporary house on the land given to the Sabha.
- (iii.) The Sabha had suffered a loss of Rs.18,000 due to non-recovery of charges for the conformity certificate. The Sabha should have recover fines amounting to Rs.6,000 (120 days×50) at Rs.50 per day due to selling the blocks of land without obtaining conformity certificates.

2.7 Operating Inefficiencies

The following observations are made.

- (a.) A corporate plan at least for 03 years had not been prepared in terms of the letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance and an action plan for the year under review had not been prepared.
- (b.) An annual procurement plan had not been prepared in terms of National Budget Circular No.128 dated 24 March 2006.

2.8 Internal Audit

An Adequate internal audit had not been carried out by the Institution and an Audit and Management Committee had not been established in terms of the Circular No. PE/F/S/4(xiii) dated 28 August 2006 of the Secretary to the Ministry of Finance and Planning.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management