

**Bulathsinhala Pradeshiya Sabha**

**Kalutara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 01 April 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 21 January 2014.

**1.2 Opinion**

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Bulathsinhala Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following observations are made.

- (a) The opening and closing balances of the year had not been adjusted while accounting revenue from warrant charges, stamp income and salaries and wages expenses. As such, the revenue and expenditure of the year respectively had been understated by Rs.1,046,250 and Rs. 72,127.
- (b) Although an expenditure of Rs. 1, 730,408 had been accrued to the creditors account during the year 2011, the balance of the creditors account as at 01 January 2012 amounted to Rs. 8,384. According to the consolidated payment analysis, a sum of Rs. 1,803,871 paid for the creditors in year 2012 had not been accounted to the creditors account whilst a sum of Rs. 1,168,342 paid for the creditors in year 2013 had been accounted to the creditors account.

- (c) While remitting Value Added Tax to the Department of Inland Revenue by the Sabha; the Value Add Tax expenses ( input ) paid by the Sabha should be adjusted to the Value Added Tax revenue ( output ) received by the Sabha and the balance should be remitted to the Department of Inland Revenue . But, the entire Value Added Tax received had been remitted to the Department of Inland Revenue.
- (d) Tyres valued at Rs. 609,139 purchased and issued during the year 2012 had been included in the balance of general stocks as at end of the year under review. Therefore, the balance of stocks at stores had been overstated by Rs. 609,139.
- (e) A sum of Rs. 199,090 had been credited to the accumulated fund and the reason for accounting this for the year under review could not be ascertained. Further, a sum of Rs. 16,848,511 had been credited to this account as billing for continuous works. But, the contra entries relating to the above had not been made.
- (f) The loan of Rs. 2,556,279 received from the Local Loans and Development Fund since 2009 had not been accounted to the Loan account.
- (g) A sum of Rs. 2,026,299 receivable for continuous works had been debited to the works debtors account itself during the preceding year and while rectifying this error, only the suspense account had been credited during the year under review.
- (h) Write - off of works debtors amounting to Rs. 26,014,349 had been credited to the works debtors account itself during the preceding year and while rectifying this error, only the suspense account had been debited during the year under review.
- (i) The works creditors account itself had been debited during the preceding year to remove the over- billing of works creditors by Rs. 29,600,825 and while rectifying this error, only the suspense account had been credited during the year under review.
- (j) A sum of Rs. 2,500,000 received during the year under review on maturity of fixed deposits had been debited to the cash account and credited to both the fixed deposits account and the other aid account.
- (k) While transferring a sum of Rs. 2,600,000 from the works cash account to general cash account, the revenue aid account too had been credited apart from the debit and credit entries made to the relevant cash accounts.

## **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. 1,670,959 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 10,915,803 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 shown 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	570	384	201
(ii.) Lease Rent	25	4	488
(iii.) Licence Fees	150	133	24

#### **2.2.2 Acre Tax**

The balance of Acre Tax in arrears as at 31 December 2012 amounted to Rs. 83,984 and of this, Acre Tax amounting to Rs. 66,706 had been outstanding continuously for over 05 years from 30 land owners.

#### **2.2.3 Trade Licence and Industry Tax**

Trade licence fees amounting to Rs.24,000 had been due from 37 institutions and industry tax amounting to Rs. 29,500 had been due from 42 industries as at 31 December 2012. Action had not been taken to initiate legal action and recover the above even as at 22 March 2013, the date of audit examination.

#### **2.2.4 Ferry Charges**

The balance of ferry charges in arrears existed prior to year 1988 amounted to Rs.11,863 and a sum of Rs. 25,168 relating to 1989 and Rs. 463,684 relating to the period 2000 to 2008 also had been in arrears. Accordingly, the total tax in arrears amounted to Rs.500,716 and these arrears had not been recovered even by 22 March 2013, the date of audit examination.

#### **2.2.5 Other Revenue**

- (a) Action had not been taken even by 30 March 2013 to obtain from the Director General of Public Finance, the sum of Rs.36,590 recovered by a Land Registry in terms of Pradeshiya Sabha Act No. 15 of 1987.
- (b) Action had not been taken even by 19 March 2013 to obtain the schedule of stamp fees from the Land Registry, Colombo in respect of stamp fees recovered from January 2010 to December 2012.

#### **2.2.6 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	7,801,003
(ii.) Stamp Fees	2,396,886

#### **2.2.7 Environment Licence Fees**

- (a) Environment licence of 04 institutions had been expired during 2008, 2009, 2010 and 2011. However, action had not been taken even by 22 April 2013; the dates of audit examination, to ascertain whether these institutions are functioning and to re- issue the licence.
- (b) Although programmes should be implemented to protect, reduce and control the environmental pollution relating to the activities mentioned in the 25 fields for which environment licence can be issued; no such programme had been implement by the Sabha.

### **2.3 Uneconomic Transactions**

Tenders had been called for in respect of the lease of 18 ferries during the year 2012 spending a sum of Rs. 45,696. However, only one ferry had been leased and a revenue of Rs. 25,000 had been received.

### **2.4 Transactions Not Supported by Adequate Authority**

According to Section 132 (J) of the Pradeshiya Sabha Act No. 15 of 1987, the prior approval of the Minister should be obtained if the total expenses on religious charity, health, entertainment or educational activities exceed Rs. 1,000 per year. However, a sum of Rs. 32,537 had been spent for providing uniforms to a youth society and books to a Damma school without such approval.

### **2.5 Contract Administration**

#### **2.5.1 Amaragedara - Kambokkawa Road**

A sum of Rs.890,140 had been paid for laying blocks to a length of 225 meters and a width of 2.4 meters ( including the retaining wall ) under stage I of the upper part of the Amaragedara - Kambokkawa Road. A physical check carried out with the assistance of the Technical Officer on 21 March 2013 revealed the following matters.

- (a) Although a quality test report had been obtained on blocks by paying Rs.18,000; chips could be seen on the surface of the blocks and most of the blocks had been broken.
- (b) A sum of Rs.6,000 had been paid for the preparation of drains in both sides. But, this item of work had not been done.
- (c) A sum of Rs. 11,437 for laying ABC where necessary and leveling by using 1-2 Ton Roller; a sum of Rs.28,390 for the preparation of layers, supply of metal dust, spread and leveling and a sum of Rs.5,000 for using compactor on the metal dust layer had been paid. But the blocks were not in the same level at most places of the road and the blocks had been sunk here and there

## **2.5.2 Construction of the Polegoda Public Library Building**

The Library building had been constructed at an estimated value of Rs.7,535,372 under the project for Development of Local Government Infrastructure. Of this, 93% had been obtained from the Local Loans and Development Fund and 7% should have been bare by the Sabha. The physical check carried out on 21 March 2013 revealed the following matters.

- (a) The Library Assistant Had reported on 07 December 2011 that there are cracks in the Library building and it had been rectified and the final payment had been made in September 2012. However, it was observed that the walls have been cracked beneath the ceiling.
- (b) The walls of the building had been built very high and it was observed that the rain water flows in to the Library through the side door and that the wall become highly wet.
- (c) Electricity needed for the construction of the Library building had been obtained from the Polegoda Crematorium and the total payments had been made to the contractor without deducting the sum of Rs. 40,000 due for the above.

## **2.6 Operating Inefficiencies**

### **2.6.1 Unsettled Accounts**

- (a) Action had not been taken to identify and recover or pay the balance of the electrical stores amounting to Rs. 17,798, the balance of aid for street lamps amounting to Rs. 114,070 and the Value Added Tax receivable amounting to Rs. 491,753 brought forward for over a number of years.
- (b) A balance of advance amounting to Rs. 43,859 given prior to a number of years had not been settled even by 31 December 2012 and this had been written -off on 10 January 2013 on the approval of the Sabha without action being taken to recover from the relevant persons.

### **2.6.2 Employees Loans**

Disaster, special and other loans amounting to Rs. 86,504 had been recoverable from 05 clerks and 01 sanitary labourer as at 31 December 2012 and this balance had remained unchanged even by 22 March 2013. Action had not been taken in terms of Section 4.4. of Chapter xxiv of the Establishments Code to recover this money.

### **2.6.3 Procurement Plan**

An annual procurement plan had not been prepared.

### **2.6.4 Budgeting**

The following observations are made.

- (a) According to the budget estimates for the year 2012, a revenue of Rs.27,500,000 had been estimated under 07 sub - heads of Revenue Head 20 ( Rent Income ) and only a sum of Rs. 563,150 had been earned as at 31 December 2012. No income had been earned under 04 Revenue Sub- heads.
- (b) Although a total provision of Rs. 10,039,500 had been made for 53 Expenditure Heads, none of the provisions had been utilized.

### **2.7 Internal Audit**

An adequate internal audit had not been carried out by the institution.

### **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) Stock Control
- (d) Control over Vehicles
- (e) Contract Administration
- (f) Budgeting