

Bulathkohupitiya Pradeshiya Sabha
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 21 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 11 September 2014.

1.2 Opinion

In my opinion except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this 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 Bulathkohupitiya Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Stamp fees amounting to Rs.1,898,508 received for the preceding year had been accounted as income of the year under review and action had not been taken to identify and brought to account the revenue from stamp fees receivable for the period June to December of the year under review. Further, provisions had not been made for the allowances payable to the stamp fees staff.
- (b.) Income from court fines amounting Rs.2,737,102 received for the preceding year had been accounted as income of the year under review and income relating to the year under review had not been computed and brought to account. Further, action had not been taken to brought to account the allowances of the court fines staff.
- (c.) Rates and Acre tax received in advance amounting to Rs.29,495 and Rs.3,049 respectively totaling Rs.32,544 had been accounted as income for the year under review and therefore, creditors had been understated.
- (d.) Library books totaling Rs.38,431 received as donations during the year under review had not been capitalized by crediting the revenue contributions to capital outlay account.
- (e.) Recurrent revenue amounting to Rs.1,131,293 receivable as at end of the year under review had not been accounted under revenue debtors.
- (f.) In computing the value of Rs.2,512,415 being the expenditure on supplies and equipment for the year under review; the issues for the year amounting to Rs.317,246 had been added to the purchases of the year amounting to Rs.1,616,486. Therefore, the expenditure on supplies and equipment had been overstated by Rs.634,432.
- (g.) Receipts and payments of Provincial Council provisions under Regional Development Plan of 2013 had been done through the general deposits account and

therefore, receipts of provisions totaling Rs.2,907,800 and payments for works totaling Rs.1,863,675 had not been accounted under capital receipts and payments.

- (h.) Stores items valued at Rs.108,118 purchased for the General Stores had been capitalized during the year under review inappropriately by crediting the revenue contribution to capital outlay account.
- (i.) Stationery valued at Rs.177,969 purchased during the year under review had been capitalized inappropriately by crediting the revenue contribution to capital outlay account.
- (j.) Furniture and equipment valued at Rs.149,608 received as donations during the year under review, had not been capitalized by crediting the revenue contribution to capital outlay account.
- (k.) Inventory items valued at Rs.161,520 of the Public Library as shown in the Board of Survey Report for the year 2013 had not been shown in the balance sheet under fixed assets. Therefore, fixed assets had been understated by a similar amount.
- (l.) The total of the fixed assets account should be equivalent to the balance of the revenue contribution to capital outlay account. Nevertheless, action had not been taken to identify and settle the difference of Rs.9,517,856 observed as at 31 December of the year under review.
- (m.) A difference of Rs.1,206,237 shown between the creditors account and the Register of Creditors as at end of the preceding year had been written-off against the accumulated fund during the year under review without carrying out any reconciliation.
- (n.) The difference of Rs.212,288 arisen in reconciling the value of inventory items with the balances of furniture and fittings account had been inappropriately adjusted through the accumulated fund account and the shortages account.

1.3.2 Accounts Payable

The value of accounts payable for over 01 years as at 31 December 2013 amounted to Rs.9,066,418.

1.3.3 Non-compliance with Laws, Rules and Regulations

Non-compliance with the provisions of the following laws, rules, regulations and management decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Paragraph 03(ii) and (iii) of Circular No.2005/04 dated 01 June 2005 of the Commissioner of Local Government Sabaragamuwa Province	- Action had not been taken to obtain from the seller an advance of 1% based on a temporary assessment obtained from the Revenue Examiner/ Controller of the Sabha

- (b.) Circular No.03/2012 dated 29 May 2012 of the Commissioner of Local Government. - prior approve the block-out plan relating to the sale of block-out lands. The Pradeshiya Sabha Members should own a motor bicycle, a Motor Car, Three Wheeler or a Van in order to obtain fuel allowances. However, fuel allowances amounting to Rs.128,000 had been paid to 02 members who does not own such vehicles.

2. Financial 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 2013 amounted to Rs.1,352,552 as against the excess of recurrent expenditure over revenue amounting to Rs.2,791,924 for the preceding year, indicating an improvement of Rs.4,144,476 in the financial result.

2.2 Revenue Administration

2.2.1 Performance of Collection 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.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.'000	Rs.'000
(i.)	Rates and Taxes	1,211	1,087	124
(ii.)	Lease Rent	1,978	1,756	222
(iii.)	Licence Fees	235	210	25
(iv.)	Other Revenue	8,460	18,379	(9,919)

2.2.2 Court Fines

Court fines receivable from 02 Magistrate Courts had not been computed and brought to account.

2.2.3 Stall Rent

Ten stalls of the newly constructed General Market Complex of the Sabha had been leased out since year 2011 and key-money amounting to Rs.10,190,000 had been obtained for these stalls. According to the assessment report a stall of the upper floor had been assessed at Rs.5,000 and a stall of the ground floor had been assessed at Rs.7,500 and it had been stated that this assessment is valued for 03 years. However, it had been unanimously decided at the General Meeting held on 24 November 2010 to recover Rs.1,250 per stall and the recoveries had been made accordingly.

3. Operating Review

3.1 Operating Inefficiencies

- (a.) Employees security deposits amounting to Rs.53,300 had been retained in the general deposits account instead of depositing in each officers pass book.
- (b.) Action had not been taken to recover employees' loans totaling Rs.56,300 remained unrecovered from 04 officers gone on transfer.

4. Accountability and Good Governance

4.1 Internal Audit

According to rule 5(7) of the Financial and Administrative Rules-1988, it is a duty of the Chairman to carry out an adequate internal audit in respect of finance and stores. However, action had not been accordingly.

5. 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