

Balapitiya Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 27 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 30 July 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Balapitiya Pradeshiya Sabha as at 31 December 2014 and its financial performance and Cash Flow for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a) Capital Grants of Rs.2.042,000 received for 06 Works during the year under review had been shown as Grants Receivable in the financial statements. Due to that, Debtors and Capital Grants had been overstated to that extent.

- (b) The sum of Rs.150,000 receivable under Members Provisions for the year 2014, for construction of the wall with concrete grills to protect the boundaries of the land where the Statue of Late President, Ranasinghe Premadasa is located, had not been taken to financial statements as Capital Grants. Due to that, Debtors and Capital Grants for the year under review had been understated to that extent.

- (c) Capital Expenditure and Debtors for the year under review had been understated in a sum of Rs. 1,220,786 due to overstatement of provisions amounting to Rs. 9,086 for 02 Works and failure in making provisions for 06 Works amounting to Rs. 1,229,872.
- (d) Thirty six Inventory Items valued at Rs. 61,050 purchased during the year under review had been capitalized under Plants and Machinery Equipment. Due to that, Fixed Assets had been overstated to that extent.
- (e) Nine Lands in extent of 02 acres and 16 perches belong to the Sabha had not been assessed and value had not been taken to the financial statements.
- (f) Although the Court Fines Receivable for the year under review was Rs. 2,023,413 it had been shown as Rs. 2,116,747 in the financial statements. Due to that, Revenue and Revenue Debtors of the year under review had been overstated by a sum of Rs.93,334.
- (g) Although the Stamp Fees Revenue Received during the year under review in respect of past years was Rs.36,811,825, the amount deducted from the Other Revenue Debtors was Rs.35,488,256. Accordingly, Stamp Fees Revenue for the year under view had been overstated in a sum of Rs.1, 323,569 by showing a sum of Rs.1,323,569 as revenue for the year under review in the financial statements.
- (h) A sum of Rs.29,555,121 received as salary reimbursements for the year under review from the Local Government Department had been shown under one Program without apportioning among all Programs.
- (i) Surcharge on Rates amounting to Rs.273,420 for the year under review had been shown as Rates and Taxes without being shown as Warrant Charges and Fines.

- (j) Expense Creditors amounting to Rs.2,029,719 relevant to the preceding year had not been provided during that year and that payment had been provided as Rs.427,730 in the financial statements for the year under review. Due to that, Expense Creditors and the Accumulated Fund had been understated and overstated respectively in a sum of Rs.1,601,989.

1.3.2 Non-reconciled Control Accounts

A difference of Rs. 2,645,313 was observed between the balances according to financial statements and balances according to Subsidiary Registers, relevant to 05 Items of accounts.

1.3.3 Lack of Evidence for Audit

Evidences such as Ownership Deeds, up dated Register of Fixed Assets, Board of Survey Reports, Schedules, updated Registers of Debtors and Creditors, Confirmations of Balances, Age Analysis and Deposits Registers prepared indicating the balance s as at 31 December the connected with transactions totalling Rs.174,901,445 shown in the financial statements were not furnished to audit.

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 2014 amounted to Rs.24,014,441 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 22,932,475.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Action in terms of Sections 158(1)(a) and 152(4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Rates amounting to Rs. 12,096,281 and License Fees amounting to Rs. 24,750 due to the Pradeshiya Sabha relevant to the year under review and past years.

2.2.2 Court Fines and Stamp fees

Courts Fines amounting to Rs. 1,074,209 and Stamp Fees amounting to Rs. 44,836,651 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

2.3 Surcharges

A sum of Rs. 178,610 was outstanding to be recovered as at 31 December 2014, in connection with surcharges imposed by me during the previous years against the individuals who are responsible, in terms of provisions in the Pradeshiya Sabha Ac No.15 of 1987.

3. Operational Review

3.1 Management Inefficiencies

Although Declarations of Assets and Liabilities should be furnished by all Members including the Chairman, as required in terms of Declarations of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 of 1988, Declarations of Assets and Liabilities had not been furnished for the year 2014 by 10 Members. Similarly, Declarations of Assets and Liabilities had not furnished by 08 Members for the year 2013 and by 05 Members for the year 2012 too.

3.2 Operating Inefficiencies

Kohilawagure Watta Land Auction

While Kohilawagure Watta in extent of 01 Acre, 01 Rude and 15.6 Perches had been partitioned to 25 lots through Plan No. 2013/172 dated 09 May 2013, the Development Permit had been for residential use had been approved by the Sabha on 13 November 2013. However, Certificate of Conformity had not been obtained up to 21 January 2015, date of audit.

3.3 Assets Management

The Sabha had no deed or vesting order to establish the ownership of lands and buildings used by the Sabha.

4. Accountability and Good Governance

Budgetary Control

It was observed that there were variations of revenue between the budget estimates and the actual and there were savings in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

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

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