

## **Bulathsinhala 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 01 April 2015 while Financial Statements relating to the preceding year had been submitted on 02 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 15 July 2015.

##### **1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Bulathsinhala Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows 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) Although Work Creditors opening balance was Rs. 6,147,841, a sum of Rs.14,573,213 had been accounted. Although it was required to credit a sum of Rs. 8,425,372 to the Accumulated Fund In order to correct this error, a sum of Rs.10,345,509 had been credited. Due to that, Accumulated Fund had been overstated in a sum of Rs.1,920,137.
- (b) Although the amount spent for Members Allowance during November 2014 was Rs. 190,000, it had been accounted as Rs. 65,000. Due to that, the balance of Salary Reimbursements Receivable had been understated in a sum of Rs. 125,000.
- (c) Value of Employees Security Certificates amounting to Rs. 4,650 and Value of Employees Securities in bank accounts amounting to Rs. 71,400 had not been shown under liabilities. Due to that, Current Liabilities had been understated in a sum of Rs. 76,050.
- (d) While the overall value of Employees Security Deposits Investments amounts to Rs. 79,050, only a sum of s. 15,070 had been shown as Employees Security Deposits

Investments under Current Assets in the Balance Sheet. Due to that, Current Assets had been understated in a sum of Rs. 63,980.

- (e) Although it had been identified that the Courts Fines Revenue Receivable relevant to the year under review as Rs. 477,366, a sum of Rs. 666,250 had been accounted as revenue billed. Due to that, Courts Fines Revenue had been overstated in a sum of Rs. 188,884.
- (f) Although the Stamp Revenue received during the year under review and in the first quarter of the year 2015 relevant to the year 2014 was Rs. 6,744,394, only the sum of Rs. 4,928,267 received for the years 2012 and 2013 had been accounted as Stamp Fees Revenue for the year under review. Due to that, revenue for the year had been understated in a sum of Rs. 1,816,127.
- (g) When accounting for revenue during the year 2014, revenue relevant to the year had not been properly billed. Due to that, revenue billed had been excessive and arrears of revenue receivable had been set off against the revenue relevant to the current year and receipts during the year relevant to the current year had exceeded the revenue billed as well. Under these circumstances, revenue for the year under review and arrears of revenue carried forward had been understated in a sum of Rs. 143,052 in the accounts.

## 2. Financial and Operating Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 had been Rs.3,672,077 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 26,077,824 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
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	136	5	131
(ii)	Acreage Tax	113	-	112
(iii)	Industrial Tax	74	3	71
(iv)	Business Tax	204	42	162
(v)	Lease Rent	546	-	546

## **2.2.2 Rates**

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While the balance of Rates in Arrears as at 31 December 2014 amounted to Rs.108,072, action had not been taken to recover a sum of Rs. 126,109 out of that, even as at 15 June 2015, date of audit.

## **2.2.3 Acreage Tax**

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Action had not been taken to recover the balance of Acreage Tax in arrears amounting to Rs. 83,984, that had been outstanding prior to the year 2011, even as at 15 June 2015, date of audit.

## **2.2.4 Trade Licenses**

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Out of the Trade Licenses balance of Rs. 41,456 in arrears as at 31 December 2014, a sum of Rs. 23,825 relevant to 28 businesses had not been recovered even as at 15 June 2015, date of audit.

## **2.2.5 Business Tax**

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While Business Tax amounting to Rs. 30,720 was in arrears from 51 business places as at 31 December 2014, those arrears had not been recovered even as at 15 June 2015, date of audit.

## **2.2.6 Industrial Tax**

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Out of the balance of Industrial Tax in arrears amounting Rs. 32,350 as at 31 December 2014, a sum of Rs. 5,500 had not been recovered even as at 15 June 2015, date of audit.

## **2.2.7 Trade Name Board Charges**

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Although a sum of Rs. 75,000 had been estimated as Trade Name Board Charges for theyear 2014, any revenue had not been recovered.

## **2.2.8 Court Fines and Stamp Fees**

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

	Rs.
Court Fines	666,250
Stamp Fees	4,928,267

### **3. Operating Review**

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#### **3.1 Operational Inefficiencies**

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##### **3.1.1 Providing Permanent Residential Places for Temporary Residents**

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About 70 families are temporally residing in the land in extent of about 2 ½ acres situated adjoining Aegaloya, Rajalimana Road in the area of authority of the Bulathsinhala Pradeshiya Sabha. The owner of the Three Ether Livestock Farm residing there had agreed to implement a Community Development Program to provide permanent housing to them on 14 December 2012. A written request had been made to the Commissioner of Local Government with regard to preparation of legal documents and operational plan in this connection.

The commissioner of Local Government had instructed on 30 December 2012, to obtain the land through a plan and a deed from the relevant establishment in terms of provisions in Section 108(h) of the Pradeshiya Sabha Act No. 15 of 1987 and to do sub partition, prepare plans and separate deeds again. At the Monthly General Sabha Meeting dated 12 September 2014 it had been agreed to accept the land as a donation to the Pradeshiya Sabha and the owner of the farm had been informed on 27 October 2014 accordingly. However, necessary course of action had not been taken to sub partition and assign land to the relevant families up to 19 June 2015, date of audit.

##### **3.1.2 Un-economic Activities**

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- (a) Although anticipated income of the Vehicle and Services Maintenance Unit constructed with the objective of generating income had been Rs. 1,000,000, any income had not been earned during the year. While it had been failed to cover the initial cost of Rs. 267,275 incurred for obtaining construction material and salaries from this Project, it was revealed that it had not been effectively functioned when cost and benefits are compared.
- (b) While Two Jack trees, 01 Mango tree and 03 Coconut trees in the land of the Polegoda Crematorium had been cut down on 26 - 29 September 2014, those trees had been stacked in the Polegoda Library Ground up to 19 June 2015, date of Audit. Due to that, action had not been taken to obtain an economic value for that timber.

##### **3.1.3 Defunct Finger Marks Printing Machine**

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Finger Marks Printing Machine had been defunct 19 April 2013 and had been handed over to a private entity for repairs on 03 November 2013. Although a sum of Rs.54,264 had been spent on 15 December 2014, as repair expenses, Finger Marks Printing Machine had not been fixed and operated in the Sabha up to 22 June 2015, date of audit.

### **3.1.4 Staff Loans**

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Staff Loan balances amounting to Rs. 166,664 recoverable since the year 2011 from 4 employees, due to reasons such as vacation of service, retirement and deaths had not been recovered even up to 31 December 2014.

### **3.2 Contracts Control**

#### **Construction of Pradeshiya Sabha Building**

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Contract for the Construction of Pradeshiya Sabha New Building approved at an estimated value of Rs. 20.5 million under the Palath Neguma Program had been awarded to a private institution for a sum of Rs. 16,039,888. Following matters were revealed at the physical inspection carried out on 22 June 2015.

- (a) In places where columns and walls are joined, vertical cracks marks were seen. These cracks were seen in the ground floor and in the first floor at a low level in many places (on the surface of potty applied).
- (b) While there were crack marks beginning from lower two ends of the widows and counters, vertical cracks marks were seen in the place where the beam and wall joins near the stair case.
- (c) While Windows had been opened to rain water, necessity for a rain cover was observed.

### **3.3 Budgetary Control**

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- (a) Although the budgeted overall Recurrent Revenue of the Sabha according to the budget estimates for the year 2014 was Rs.94,464,045 , actual revenue had been Rs.16,771,377 and therefore a target of 17 per cent of the budgeted revenue only had been achieved.
  - (b) Although a total sum of Rs.9,769,000 had been allocated for 56 items of expenditure according to the budget estimates for the year 2014; any amount had not been spent up to end of the year. Accordingly, it was revealed that the Budget had not been made use of as an effective tool of management.
  - (c) Instances of transferring provisions saved entirely amounting to Rs. 4,257,500 under the expenditure heads to other expenditure heads were observed. Accordingly, it was confirmed in audit that expected objectives by making provisions had not been not been achieved.

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Budgetary control