

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 28 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 16 June 2016.

1.2 Opinion

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Bulathkohupitiya Pradeshiya Sabha as at 31 December 2015 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

The following matters are observed.

- (a) Adjustments had been made through Journal 8 to rectify the expenditure incurred on constructing a rack for Rs.145,986 which had been pointed out under the accounting deficiencies of 2014. While doing so, the expenditure account of the year had been credited by a similar amount instead of crediting the Revenue Contribution to Outlay Account.
- (b) A journal entry bearing No.9 had been made to capitalize the laptop computer purchased in 2014. While doing so, the expenditure concerned had been debited to the Supplies and Equipment Account of the year under review resulting in an overstatement of expenditure of the year by Rs.50,100.
- (c) Court fines of Rs.109,367 receivable from the Magistrate's Court, Kegalle for the period January to December 2015 had not been shown under Revenue Receivable and Debtors.
- (d) The loans payable to the Local Loans and Development Fund as at 31 December 2015 amounted to Rs.1,120,345. However, a sum of Rs.746,897 had been shown under the creditors resulting in an understatement of creditors by Rs.373,448.

- (e) Debtors relating to the sum of Rs.14,568,509 receivable on behalf of 2 constructions of 2014 and 2015 had been understated. Meanwhile, creditors had been understated by Rs.12,347,748.
- (f) Action had not been taken to identify and make adjustments for the difference of Rs.203,733 between the Fixed Assets and the Revenue Contribution to Outlay Account.
- (g) The interest of Rs.249,753 for the loan obtained from the Local Loans and Development Fund for the year 2015 had not been accounted as expenditure. As such, the deficit had been understated by a similar amount.
- (h) Expenditure creditors amounting to Rs.3,106,790 as at 31 December 2015 had been shown as Rs.2,668,049 in the accounts disclosing an understatement of Rs.438,741.
- (i) The value of 03 vehicles received as grant and valued at Rs.6,000,000 in 2015 had not been accounted for. As a result, the Machine and Machinery Account had been understated by similar amounts and the Revenue Contribution to Outlay Account had been understated by a similar amount.
- (j) The expenditure incurred on constructing a vehicle park at the Pradeshiya Sabha amounting to Rs.77,550 had been written off as expenditure of the year instead of debiting the Land and Buildings Account and crediting the Revenue Contribution to Outlay Account.
- (k) The sum of Rs.219,536 paid for the safety fence of the Pradeshiya Sabha building had been written off as expenditure of the year without debiting the Land and Buildings Account and crediting the Revenue Contribution to Outlay Account.
- (l) Three items valued at Rs.35,188 to be shown under capital expenditure had been shown under recurrent expenditure.

1.3.2 **Unreconciled Control Accounts**

The balance of 10 items of accounts aggregated Rs.25,561,239 as per financial Statements and the balances of accounts aggregated to Rs.25,652,100 as per related subsidiary registers/reports resulting in a difference of Rs.90,861.

1.3.3 **Accounts Receivable and Payable**

- (a) The balances of accounts receivable exceeding 03 to 06 years as at 31 December 2015 aggregated Rs.149,861.
- (b) The balances of accounts payable, exceeding 01 year as at December 2015 amounted to Rs.11,346,813.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.,

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions Non-compliance

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|---|---|
| (i) F.R 571 | Action had not been taken in terms of the financial regulation with regard to lapsed deposits amounting to Rs.6,138,845 for the period 2006 to 2010. The amount relating to lease on pre sale basis of stalls at the public market for Rs.4,757,859 too had been included in this. It was revealed that this amount had been spent on constructing the stalls and had not been settled through the Deposit Account. |
| (b) Code of Financial Rules of the Sabaragamuwa Provincial Council of the Republic of Sri Lanka | |
| (i) Rule 261.2.2 | The balance of the ad-hoc imprest obtained should be settled on the day concerned or the following working day immediately after the completion of work concerned. However, a sum of Rs.69,038 had not been settled since September 2012. |
| (ii) Rule 283.4 | Action had not been taken in terms of the Provincial Financial Rule with regard to 08 cheques aggregating Rs.31,769 issued and remaining unrepresented for payments. |

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 2015 amounted to Rs.582,054 as against the excess of recurrent expenditure over revenue for the preceding year amounting to Rs.4,513,231. Accordingly, an improvement amounting to Rs.5,095,285 is shown in the financial results of the year under review.

2.2 Analytical Financial Review

The increase in 05 items of revenue and the decrease in 04 items of expenditure had mainly attributed to the improvement of Rs.5,095,285 in financial results of the year under review.

2.3 Revenue Administration

2.3.1 Peroformance in Collection of Revenue

- (a) The information relating to revenue billed, actual revenue and arrears of revenue, as presented by the Secretary appears below.

Arrears as at 31 December 2015

| Source of Revenue | Arrears as at 01 January 2015 | Recoveries out of the arrears as at 31 December 2015 | Amount billed for 2015 | Recoveries out of the amount billed for year | Arrears as at 01 January 2015 | Arrears out of amount billed for the year | Total Arrears |
|---------------------|-------------------------------|--|------------------------|--|-------------------------------|---|---------------|
| Rs. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| (i) Rates and Taxes | 183 | 133 | 773 | 645 | 50 | 128 | 178 |
| (ii) Lease Rent | - | - | 337 | 337 | - | - | - |
| (iii) Licence Fees | - | - | 211 | 211 | - | - | - |
| (iv) Other Revenue | - | - | - | 1079 | - | - | - |

- (b) The balance of rates and taxes receivable as at 31 December 2015, as per particulars of arrears of revenue presented by the Sabha amounted to Rs.178,243 whereas it amounted to Rs.227,303 as per accounts.

2.3.2 Rates and Taxes

The rates and taxes from properties of the Sabha were those properties acquired from the Yatiyanthota Pradeshiya Sabha in 2009. Thereafter, action had not been taken to assess these properties and to revise the rates and taxes.

3. Operating Review

3.1 Management inefficiencies

- (a) A sum of Rs.7,000,000 had been provided by the Ministry of Public Administration, Local Government and Democratic Administration under the Programme of Strengthening of Pradeshiya Sabhas with Low Income Earners for the year 2015. Of this, a sum of Rs.1,202,899 only had been spent. The Sabha had been deprived of Rs.5,797,101 due to lack of proper management.
- (b) The development work of improving the week end fair premises of the Bulathkohupitiya town had been entrusted to the State Engineering Corporation since January 2014. The construction of week end fair had not been completed up to 31 December 2015. As such, rent amounting to Rs.480,000 had been paid during 2014 and 2015 to hire premises to conduct week end fairs as at the rate of Rs.5,000 per day.

- (c) The work relating to the construction of a crematorium at an estimated amount of Rs.21,469,814 under the 2014 Deyata Kirula Development Programme had been entrusted to the State Engineering Corporation. The Sabha had been deprived of using the crematorium premises as the construction work had not been completed up to 06 April 2016.
- (d) Orders have been placed to purchase a computer, a web camera, a digital camera and a UPS valued at Rs.172,950 from the Ratnapura District Co-operative Bank Society without adhering to the procurement procedure and long before the payment of administrative expenses for the construction work carried out from the provision of the Bulathkohupitiya Pradeshiya Sabha in 2014. But, the funds had not been obtained and as such payments had been made from the funds of the Sabha in August 2015.
- (e) The physical progress of 20 jobs of the Pradeshiya Sabha carried out for Rs.7,022,666 under the Door to door, Village to village Programme was 100 per cent. However, a sum of Rs.6,591,802 had not been reimbursed.
- (f) A sum of Rs.3,180,000 had been accounted on behalf of the old Rural Court building acquired on a court verdict. during the year 2015. However, this value had not been identified and a report obtained from the Chief Valuer and this had not been entered in the register of fixed assets.

3.2 **Operating Inefficiencies**

- (a) The employees' security deposits amounting to Rs.59,700 had been retained in the General Deposit account instead of being deposited in the savings account of each officer.
- (b) Action had not been taken to recover the total sum of Rs.56,380 due from 03 officers who had gone on transfers.
- (c) The revenue from tipper vehicle for the period 07 January 2015 to 28 December 2015 had been shown as Rs.260,310. A systematic procedure had not been followed for the way in which the revenue had been collected. Charges had been made at the kilometre rates on certain instances and daily rates had been charged on certain other instances.
- (d) The general council had decided to allow the tipper vehicle to the female members of the Manel Flower Association to bring flower plants from places like Wennappuwa and bus fare amounting to Rs.8,000 had been paid in this connection.
- (e) A sum of Rs.5,250 had been paid on 07 occasions at the rate of Rs.750 per day in addition to the daily allowance to a driver of a tipper vehicle recruited on a daily paid basis without the approval of the Commissioner of Local Government.

4. **Accountability and Good Governance**

4.1 **Internal Audit**

According to the 1988 (Financial and Administration) Rule 5(7), it is the duty of the Chairman to maintain adequate internal audit relating to financial and stores activities. However, action had not been taken accordingly.

4.2 **Budgerary Control**

The entire provision aggregating Rs.39,600 allocated by the budget for the year 2015 had been saved on 11 occasions.

5. **Systems and Controls**

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

- (i) Assets Management
- (ii) Accounting
- (iii) Revenue Administration