

Bandaragama 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 31 March, 2016 while Financial Statements relating to the preceding year had been submitted on 14 May 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 29 July 2016.

1.2 Qualified 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 Bandaragama Pradeshiya Sabha as at 31 December 2015 and its Financial performance 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 deficiencies are observed.

- (a.) Lands & Buildings Account and Contribution from Revenue to Capital Outlay Account had been understated by Rs.1, 570,813 and Rs 1, 570,813 respectively due to non-capitalization of expense of Rs.1, 570,813 incurred in the year under review for the construction of Waste Management Centre and the construction of a wall around the cemetery under item of expenditure 209.
- (b.) The provision for creditors had not been made for furniture & equipment worth of Rs.231, 250 purchased in 2014 and it was accounted as an expense in the year under review. Therefore, the capital expense was overstated by Rs.231, 250.
- (c.) An amount of Rs.238, 980 incurred for the purchase of equipment for electrical maintenance in the upper floor of public market under item of expenditure 509 in the year under review should have been shown as a recurrent expenditure but it was shown under capital expenditure.
- (d.) Although the balance of Recoverable Utility Services Account was Rs.353, 365 before the end of the year under review, it was shown as Rs.3, 531, 822. Therefore, the balance of Utility Service Account had been overstated by Rs.3, 178,457.
- (e.) Although due balance of Provincial Council Loan Account was Rs.353,365 as at the end of the year under review, it had been mentioned as Rs.1,677,856. Therefore, the balance of Provincial Council Loan Account had been overstated by Rs.1,324,491.

- (f.) Though the industries debtors value was Rs.4,174,653 as at the end of the year under review, industries debtors balance of Rs.6,249,129 including Rs.2,026,026 received relevant to 04 industries and Rs.48,450 relevant to 01 Sabha industry in 2015 had been shown in the Financial Statements. Therefore, industries debtors' value had been overstated by Rs.2,074,476.
- (g.) Although the capital grants value relevant to the year under review was Rs.13, 071, 694, it had been shown as Rs.15, 195,596 in the Financial Statements. Therefore, capital grants value had been overstated by Rs.2, 123,902.
- (h.) Though the capital expenditure relevant to the year under review was Rs.32, 999, 401, it had been shown as Rs.33, 048,828 adding Rs 49,427 to be paid for 2 industries in respect of 2013. Therefore, the capital expenses had been overstated by Rs.49, 427.
- (i.) As the balance of Rs.1, 499,788 to be paid to the Department of Pensions as at the end of the year under review had not been accounted for under the creditors in the financial statements, creditor's value had been understated by 1,499,788.
- (j.) Though the purchase of furniture and fittings amounted to Rs.742, 065, Furniture and Fittings Account and Contribution from Revenue to Capital Outlay Account were accounted as Rs.1, 705,651. Therefore, such accounts had been overstated by Rs.963, 586.
- (k.) As removal of library books of Rs.48, 136 was not adjusted to the Library Books Account, the same had been overstated by Rs.48, 136.
- (l.) Though fixed deposit interest relevant to the year under review was Rs.1, 461, 171, it had been shown as Rs.1, 803,764 in the financial statements. Therefore, the fixed deposit interest revenue had been overstated by Rs.342, 593.

1.3.2 Lack of Evidence for Audit

 3 items of accounts amounting to Rs.63, 535,065 couldn't be satisfactorily vouched in Audit due to non-submission of the updated Fixed Asset Register and Schedules.

1.3.3 Non-compliance with rules, laws and regulations

 Action had not been taken as regards 43 cheques worth of Rs.172,651 issued on 31st December 2015 relevant to current account No.121-1-001-0—4024069 (People's Bank) and that were remaining uncashed for more than 06 months from the date of issue, in terms of F.R.396 (d) of the Republic of Sri Lanka.

2. Financial Review

2.1 Financial Results

 According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2015 had been Rs. 25,439,399 as against the excess of revenue over recurrent expenditure amounted to Rs. 22,362,074 in the preceding year.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

The total arrears of revenue of Rs.3, 242,126 at the end of the year under review had not been recovered in accordance with the provisions of the sections 158 and 159 of Pradeshiya Sabha Act No.15 of 1987.

2.2.2. Rates

- (a) Although there was an outstanding rate of Rs.2, 846,035 as at the beginning of the year under review a sum of Rs.1, 655,654 or 58% had been recovered out of it within the year.
- (b) Revenue of rates billed for the year under review was Rs.3, 650, 506 but a sum of Rs.2, 116,724 or 58% was recovered out of the same in the year under review.

2.2.3 Business Tax

- (a) Although there were arrears of business tax amounting to Rs.169,660 as at the beginning of the year under review out of which a sum of Rs.158,260 or 93% had been recovered within the year.Rs.2,737,430 was billed for the year under review but Rs.2,536,120 or 93% had been recovered out of it within the year.
- (b) Though the tax should be collected within first 03 months from the beginning of the business tax year, business tax had been collected from 568 out of 843 businesses which had paid business tax, after March.

2.2.4 Industrial Tax

- (a) A sum of Rs.68, 750 was in arrears as at the beginning of the year under review and Rs.48, 250 or 70% out of which had been recovered during the year. A sum of Rs.782, 800 was billed for the year under review and Rs.758, 800 or 97% out of it had been recovered.
- (b) Although the tax should be obtained within first 03 months as per the Pradeshiya Sabha Act, 204 persons from whom industrial tax was obtained had paid the same to the Sabha after April 2015.

2.2.5 Stall Rents

- (a) 10 public market stalls out of 21 situated within the limit of Adikaripattu Sub Office were not entered into agreements and a monthly rental from Rs.725 to Rs.1, 050 had been charged by Sabha.

- (b) Although two tenants had done business activities in No.19, 20, 21 stalls of public market, Sabha had not charged any rent in that regard.
- (c) 04 stalls out of 23 of new market have been rented to two persons for a monthly rental of Rs.600 and one person for Rs.1200 while the other one has been given to one person for Rs.1500.
- (d) Although the agreements of 10 out of 21 stalls of public market and 19 out of 23 stalls of new market had expired for a period from 2-8 years Sabha had not taken action to renew such agreements.
- (e) In contradictory to the provisions of Para 07 of the Circular of Local Government Commissioner of Western No.1980/46 dated 03 December, 1980,10 out of 21 stalls of public market and 10 out of 23 stalls of new market had been sub leased.

2.2.6 Tax on land sales

Although the Sabha shall obtain one per cent from the proceeds of the land sold by public auction or otherwise within the limits of Pradeshiya Sabha in terms of Section 154 (1) of Pradeshiya Sabha Act No.15 of 1987 the Revenue Officer of the Sabha, without doing so, had obtained Rs.1, 349,122 as tax equivalent to one per cent from 14 land sales in 2015 as per the gross estimate prepared by him. Accordingly, action had not been taken to obtain the balance by adjusting the difference between the gross estimate and the market sale value.

2.2.7 Advertising fees

As per the notification on advertisement relevant to 2013 of Bandaragama Pradeshiya Sabha published in the Gazette No12-58/2 dated 19 December, 2014, fees should be charged in the construction and display of advertisements within the limit of Pradeshiya Sabha as specified therein. As Sabha had not taken action to charge relevant fees for 25 advertisements/name boards which were checked through physical sampling on 19 November 2015, Sabha had lost Rs.149, 700 within the year under review.

2.2.8 Court Fines and Stamp fees

An amount of Rs.63, 298,082 was due from the Chief Secretary of the Provincial Council and the other officers as at 31 December in the year under review as follows.

Court Fines	Rs.6, 326,485
Stamp fees	Rs. 56,971,597

3. Operational Review

3.1 Operational Inefficiencies

- (a) A sum of Rs.1, 499,788 of outstanding pension contribution payable to the Department of Pensions on 31 December 2015 had not been remitted to the Department of Pensions even up to 15 June 2016.
- (b) In accordance with Section 4.1 of the Circular of the Director General of Pensions No.2/2011 dated 24 February 2011, though the contributions of casual and temporary workers should have been sent to the Secretary and the Accountant of Public Services Provident Fund, no action had been taken. As late remittance was made to the Employees' Provident Fund and Employees' Trust Fund, an amount of Rs.18, 139 had been paid to the Fund as a penalty within the year under review.
- (c) An amount of Rs.224, 865 had to be incurred by the Sabha for carrying out repairs to 04 vehicles in order to repair the damages caused by accidents. However, as only Rs.193,714 was received as insurance compensation for such vehicles, no action had been taken by the Sabha to recover the expense of Rs.31, 151 incurred in that regard from the relevant responsible persons.
- (d) The value of unreturned 346 books obtained by readers from the lending Section of the libraries maintained by Sabha from 1993 to May 2015 was Rs.66, 294 and no actions had been taken by the Sabha to get back those books or to charge the value of those books from relevant parties.

3.2 Improper Transactions

In contradictory to the provisions in Para 15 of the Circular of the Local Government Commissioner No.LG/07/2004 dated 15 December 2004, number of days where Planning Committees had been conducted less than 02 hours after office hours within January and July 2015 was 14 and sum of Rs.60, 750 had been paid as allowances in that regard.

3.3 Human Resource Management

The following matters are observed.

- (a.) Though the approved cadre for 23 posts was 192, there were 205 in the actual cadre.
- (b.) There were 03 vacancies in 03 approved posts while 18 persons were excess for 03 posts.

3.4 Contract Administration

Construction of Kurulu Uyana Community Hall

The community hall which was completely constructed on 16 January 2015 was closed even as at the audited day of 20 November 2015 without using for any purpose and inside floor and surroundings was very unclean. It was observed that even cows had entered into the hall.

4. Systems and Controls

The special attention of Sabha is need in the following areas of systems and controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Human Resources Management
- (e) Contract Administration
- (f) Assets Management