

**Bandaragama Pradeshiya Sabha**

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**Kalutara District**  
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**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 25 September 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 September 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position as at 31 December 2016 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 observations are made.

- (a) The revenue from rent of stalls for the year under review had been understated in the financial statements by Rs. 9,185.
- (b) The accumulated fund had been understated by Rs. 902,934 and the outstanding industrial aid had been overstated by Rs. 902,934 while rectifying 2.2.1(g) of the Auditor General's report of 2015.

- (c) The discount allowed for the year under review amounting to Rs. 27,227 should have been brought to account as expenditure of the year. However, this had been debited to the Accumulated Fund Account. As a result, the expenditure of the year under review had been understated by Rs. 27,227.
- (d) The fixed deposits of Rs. 17,656,100 of the year under review had been shown as Rs. 17,275,865 in the financial statements resulting in an understatement of the balance of fixed deposits by Rs. 380,235.
- (e) The interest on fixed deposits of Rs. 1,499,150 of the year under review had been shown as Rs. 897,137 in the financial statements resulting in an understatement of the interest on fixed deposits by Rs. 551,834.
- (f) The Industrial Aid Debtors of the year under review had been overstated in the financial statements by Rs. 487,346.
- (g) The Industrial Aid Creditors of Rs. 39,502,576 of the year under review had been shown as Rs. 39,616,786 in the financial statements resulting in an overstatement of industrial creditors and the industrial expenditure by Rs. 114,210.
- (h) The deposit of Rs. 2,431,158 obtained on behalf of damages caused to roads during the year under review had been treated as revenue of the year under review resulting in an overstatement of revenue of the year by Rs. 2,431,158.
- (i) Provision for creditors had not been made for the expenditure of Rs. 170,982 of the year under review. As a result, the expenditure and the creditors of the year under review had been understated in the financial statements by Rs. 170,982.

### **1.3.2 Lack of Evidence for Audit**

Transactions aggregating Rs. 25,520,375 could not be satisfactorily vouched in audit due to non rendition of necessary information to audit.

## 2. **Financial Review**

### 2.1 **Financial Results**

According to the financial statements presented, the excess of expenditure over revenue of the Sabha for the year ended 31 December 2016 amounted to Rs. 8,823,523 as compared with the excess of expenditure over revenue of the preceding year amounting to Rs. 25,439,399. Accordingly, an improvement in financial results amounting to Rs. 16,615,876 was observed during the year under review as compared with that of the previous year.

The increase in revenue by Rs. 14,267,567 and the decrease in expenditure by Rs. 2,348,309 had mainly attributed to the improvement in financial results by Rs. 16,615,876.

### 2.2 **Revenue Administration**

#### 2.2.1 **Estimated Revenue, Actual Revenue and the Arrears of Revenue**

The information relating to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appear below.

<b>Item of Revenue</b>	<b>Estimated Revenue</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	7,698	6,339	1,981
Lease rent	722	644	117
Licence fees	264	264	-

#### 2.2.2 **Rates and Taxes**

- (a) Out of the outstanding balances of Rs. 2,724,222 at commencement of the year under review, a sum of Rs. 2,101,948 representing 77 per cent had been recovered during the year.

- (b) The revenue billed as rates and taxes of the year under review amounted Rs. 3,641,796. Of this, 63 per cent amounting to Rs. 2,283,194 had been recovered during the year.
- (c) The register of rates and taxes at the Adikaripaththu sub office had not been reconciled after 2014 and the balances due from each unit of rates and taxes had not been computed.

### **2.2.3 Stall Rent**

- (a) Action had not been taken up to 15 May 2017 to give on lease 08 stalls of the trade complex constructed opposite the bus stand by spending a sum Rs. 7,249,950 in 2014.
- (b) Action had not been taken to give the stalls on lease according to the decision made on 25 October 2015. As a result, the Sabha had been deprived of an imprest of Rs. 9,913,000 as revenue and the revenue from monthly rent of Rs. 457,800 for the period 25 October 2015 to December 2016.

### **2.2.4 Industrial Tax**

The industrial tax outstanding as at commencement of the year under review amounted to Rs. 44,500. Of this, a sum Rs. 27,000 could not be recovered during the year and a case had been failed in a court of law in this regard. A further sum of Rs. 18,000 remained recoverable.

### **2.2.5 Business Tax**

The business tax outstanding at commencement of the year under review amounted to Rs. 231,000. Of this, a sum of Rs. 151,000 could not be recovered during the year and a case had been filed in a court of law in this regard. A further sum of Rs. 104,400 remained recoverable.

### **2.2.6 Revenue from Rent of Stalls**

Fifteen stalls of the Bandaragama New Trade Complex had been given on lease. According to paragraph 12 of the agreement, the lessee should pay the water bill. However, the expenditure incurred on water supplied to the stalls from water tank of the milk bar had not been recovered.

### **2.2.7 Court Fines and Stamp Fees**

The amount receivable from the Chief Secretary of the Provincial Council and other authorities appear below.

	<b>Rs.</b>
(i) Court Fines	8,010,907
(ii) Stamp Fees	59,383,936

## **3. Operating Review**

### **3.1 Operating Inefficiencies**

- (a) (i) The approved cadre of 23 posts the Sabha as at 31 December 2016 was 192. However, the actual cadre was 200.
  - (ii) There were 11 vacancies in 5 approved posts. Meanwhile, the excesses in 03 posts were 21.
  - (iii) Six persons had been recruited on substitute basis and one person had been recruited on control basis with no relevance to the permanent cadre.
- (b) The arrears of pensionary contributions of Rs. 858,773 payable to the Department of Pensions as at 31 December 2016 had not been remitted even by 25 May 2017.

- (c) Deposits amounting to Rs. 4,380,701 had been obtained for renovation of roads damaged during the year under review and the previous year. This had been brought to account as revenue instead of being used for renovation of roads.
- (d) Action had not been taken to issue compliance certificates to 512 buildings which had not received compliance certificates during the year under review and the previous years and to recover rates and taxes as revenue by means of new assessment.
- (e) The initial deposits of Rs. 48,000 due from 16 week – end fair traders and the monthly charges of Rs. 689,090 due from 148 traders were outstanding during the year under review.

### **3.2 Idle and Underutilized Physical Resources**

The rubble breaking machine purchased for Rs. 2,472,740 in 2008 for grinding rubbles had been idling since 2009.

### **3.3 Projects not Completed**

The construction work of the Galpatha crematorium commenced in 2014 at an estimated cost of Rs. 10,000,000 under the Palath Neguma Project had not been completed even by May 2017.

### **3.4 Solid Waste Material Management**

A composting division of the Sabha was in existence at Deldorawaththa with regard to garbage management. But, an environmental licence had not been obtained for the site at which the garbage had been disposed of. Garbage tax had not been recovered to meet the expenditure on garbage management.

**4. Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (b) Personnel Management
- (c) Control over Vehicles
- (d) Budgetary Control