

Bentota Pradeshiya Sabha
Galle District

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 29 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 29 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Bentota Pradeshiya Sabha as at 31 December 2017 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 were observed.

- (a) Constructios & improvemets made to head office of the Sabha at a cost of Rs.4,037,861 had not been capitalized.
- (b) Stamp fee receipts of Rs.3,110,870 for the year 2016 had not been brought to account.
- (c) The sum of Rs.34,124 recoverable in respect of No-Pay leave in 2017 had been under stated in accounts.

1.3.2 Unreconciled Accounts

Total of the variance between the balance of 03 items account amounted to Rs.19,917,622 appearing in Financial Statements and balances appearing in the related documents was Rs.531,713.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The following observations were made.

- (i) Action had not been taken to recover 08 industrial debtor balances of Rs.1,807,900 being brought forward from 2011 to 2016.
- (ii) No action had been taken to recover salary reimbursements of Rs.104,000 recoverable since 2009 and to recover court fines of Rs.53,833 recoverable from 2012.
- (iii) No action had been taken to settle pre payment of Rs.169,278 applicable to the period between 1993 to 2014.

(b) Accounts Payable

The following observations were made..

- (i) Action had not been taken to settle industrial creditors of Rs.6,349,023 which belonged to the period between 2013-2016.
- (ii) Action had not been taken to settle the expenditure creditors of Rs.859,446 which belonged to the period from 1991 to 2012.

1.3.4 Lack of Written Evidence for Audit

Non Presentation of Information for Audit

Due to non presentation of required information, it was not possible to verify 05 items of accounts totalled at Rs.54,320,720.

1.3.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions	Value	Non-Compliance
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	Rs.	
(a) Pradeshiya Sabha rules (Financial & Administration)		1988
(i) Rule 33	-	Lists of names of individuals who have defaulted the payment of rates & taxes and warrant lists for forfeit of property had not been prepared.
(ii) Rule 145	-	Detailed statement on repayable deposit had not been prepared and nor adjustment made with ledger balance.
(iii) Rule 193	-	A statement giving reasons for excesses and shortages comparing the budget with items of income and expenditure had not been prepared and submitted for auditing as at 31 December of the year under review.
(iv) Rule 218	-	A Board of Survey on all lands and buildings had not been conducted.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
(i) FR 110	-	Loss/damage register had not been maintained.
(ii) FR 371((2)(a)	159,278	No action had been taken even during the year under review to settle average advance balance being brought forward since 1993.
(iii) FR 571	386,923	No action had been taken on matured

deposits over 02 years.

2. Financial Review

2.1 Financial Result

(a) According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.15,949,889 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted 29,686,524

(b) Financial Control

Although Money transferring account balance should be tallied with each other at the end of the year under review, a debit balance of Rs.271,201 was shown in the financial statements.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows;

Sources of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes }	13,667,900	23,950,621	17,854,889	10,125,943	12,840,400	15,065,189	15,003,992	3,933,893
(ii) Lease Rent	532,000	658,684	557,762	102,883	482,000	-	520,071	51,244
(iii) Licence fee }	830,000	802,100	865,390	43,225	705,000	-	802,658	43,225
	15,029,900	25,411,405	19,278,041	10,272,051	14,027,400	15,065,189	16,326,721	4,028,362

2.2.2 Performance in Revenue Collection

Overall Estimated Revenue of the year under review was Rs.15,029,900 while the billed revenue of the year under review and the revenue that had to be collected with revenue in arrears of the year amounted to Rs.29,439,767. Due to collected revenue during the year being Rs.19,278,041, the year end revenue balance in arrears stood at Rs.10,272,051.

2.2.3 Rate and Taxes

Billed revenue of the year under review and the balance in arrears at the beginning of the year was amounted to Rs.27,884,514 the collected revenue during the year amounted to Rs.17,854,889. Accordingly the year end revenue balance in arrears stood at Rs.10,125,943.

2.2.4 Lease Rent

Of the revenue of Rs.709,928 that had to be collected during the year under review, collection amounted to Rs.557,762. Accordingly the year end revenue balance in arrears was Rs.102,883.

2.2.5 Licence fee

Of the revenue of Rs.845,325 that had to be collected during the year under review, the collected revenue amounted to Rs.865,390. Accordingly, the year end revenue balance in arrears stood at Rs.43,225.

2.2.6 Court Fines and Stamp Fees

A sum of Rs.36,496,997 and a sum of Rs.2,052,931 had to be recovered as stamp fees and court fines respectively as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Councils.

3. Operating Review

3.1 Performance

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradelshiya Sabha Act are as follows:

(a) **Action Plan**

Although an annual action plan had been prepared for the fulfillment of activities that had to be undertaken by the Sabha in terms of by-laws enacted, it had not been prepared precisely and systematically.

(b) **Unattended Activities**

The following observations were made.

- (i) Although estimate of Rs.490,000 had been prepared for concreting of the road near Etawalawatta Rubbergahamulla culvert under Development Plan 2017, constructions had not been commenced even by June 2018.
- (ii) Although an estimate at Rs.6,000,000 had been prepared for trarring and development of access road to crematorium under 1000 km road Development Programme 2017 covering rural areas, approval had not been obtained for the project even by August 2018.

(c) **Inability to Obtain Anticipated Benefit**

In 2016 a total of Rs.486,087 had been spent for purchasing of library books and equipments to commence a Mobile Library Service under Provincial Specific Development Grant. However although the need of Mobile Library service had been felt in several areas, one day per week mobile library service was conducted only in Uragaha area..

(d) **Waste Management**

The following observations were made.

- (i) Jambugaswatta Oliwala Land in the extent of Acres 04: Roods 2: Purches 10: near the town had been utilized for disposal of waste which were dumped on to one quarter of the land without seperation as decaying and non decaying waste. Due to non covering of waste with soil, unbearable bad smell was emanated from the land. In 2017 Rs.202,500 had been spent to cover waste. Environment licence had not been obtained either for the said land.
- (ii) Rs.450,000 had been allocated out of the Pradeshiya Sabha fund to construct a shed for sorting out waste. Although it was possible to construct a shed with sufficient space, only a small shed at a cost of Rs.159,709 had been cconstructed which was not sufficient enough for the said purpose.

(e) Sustainable Development Trargets

The Sabha had not formulated long-term plans to enhance living condition and health of the people in the area of authority through global indicators for sustainable development goals and targets in the Agenda 2030 for Sustainable Development.

3.2 Human Resources Management

(a) Employee Vacancies and Excesses

The following observations were made.

- (i) According to Cadre Plan the number of excess employees were 09 while 11 posts remained vacant. However no action had been taken either to regularize the excess staff or to fill the vacant positions.
- (ii) A sum of Rs.1,397,099 has been paid from the Sabha Fund as salaries and allowances to 05 employees recruited on casual, substitute and contract basis in contrary to the Management Services circular No.25/2014 dated 12 November 2014.
- (iii) 06 junior-grade employees serving the Sabha had been appointed to cover duties of higher posts.

(b) Employee Loan

The following observations were made.

- (i) A sum of Rs.102,372 recoverable from 27 retired employees and those who had vacated the post and died as at 31 December of the year under review had not been recovered.
- (ii) An interest of Rs.130,326 that had to be reimbursed for property loans obtained by employees of the Sabha from 2007 had not been recovered from Commissioner of Local Government.

3.3 Asset Management

3.3.1 Idle and Under Utilized Assets

The following observations were made.

- (a) Two storeyed library building located within the old sabha building complex had been closed down since 2007. This building, following the repair was in a usable condition, and 09 desks, 12 chairs and 02 racks used in Ayurvedic Hospital had been kept idle.
- (b) 06 vehicles worth Rs.7,188,800 owned by the Sabha had been parked unutilized in the premises behind the library.

3.4 Identified Lossess

The following observations were made.

- (a) Following the repairing of crematerium of the Sabha in March 2017 at a cost of Rs.1,274,250, 308 dead bodies had been cremated. On 05 June 2017 at the crematorium was blown off when another employee tried to oprate it in the absence of the Crematorium Operator. After this incident Rs.299,000 had been spent on its repair work. This has not reported for audit as per FR 104 and no any inquiry had been held to ascertain the damage caused by the blast.
- (b) Engine of the Cab had been fully repaired in 2017 at a cost of Rs.534,064 and while it was running along the express way on 24 March 2018 the engine had stopped being unable to start again. Although this happended within warranty period of the repair that institution had refused to undertake repair again. The Sabha had not taken any future action in this regard and the vehicle was remained parked at the Yard even by August 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) Total provision of one item of expenditure remained as saving and th total provision of the 04 items of expenditure amounting to Rs.18,154,746 also remained as savings.

- (b) Expenditure of Rs.436,576 had been made in excess of budgetary limits with regard to 03 items of expenditure, the value of which ranged between 14 percent to 17 percent.
- (c) Adverse variance of 02 items of expenditure totalled at Rs.18,127,877, the value of which ranged between 15 percent to 62 percent.

4.2 Internal Auditing

Although an Internal Auditor has been appointed as per Circular No. දපපා/යහ/01/නා.ව.මළු Dated 24 February 2014 of the Provincial Commissioner, Southern Province, sufficient internal auditing had not been undertaken.

4.3 Implementation of Audit and Audit Management Committees

As per provisions of the Management Audit Circular No.DMA/2009(I) dated 09 June 2009, only one Audit and Management Committee had been held for 2017.

5. System and Control

Shortcomings observed at auditing were brought to the notice of the Sabha from time to time and special attention shall be paid to the following fields of control.

<u>System</u>	<u>Defect</u>
(a) Accounting	Non settlement of account balance being brought forward from preceding years.
(b) Fixed Assets	(i) Non availability of a fixed asset register. (ii) Non assessment and non accounting of the value of vehicles/equipment
(c) Revenue Collection	(i) Non implementation of a programme to recover revenue in arrears. Non preparation of age analysis with regard to revenue in arrears (ii)
(d) Staff Management	(i) Action had not been taken either to formalize excess posts or to fill vacant posts.

- (ii) Taking no action to recover staff loan balances.
- (e) Contract Administration & Project delays
 - Non completion of contracts as per Agreements.
- (f) Solid Waste Management
 - (i) Action had not been taken to obtain sorted out waste
 - (ii) Taking no action to dispose of waste without any risk on human health.