

Beliatta Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on 23 July 2018.

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 Beliatta 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

Following accounting deficiencies were observed.

- (a) The computer system costing Rs.720,000 and computer chairs costing Rs.20,493 purchased during the year under review had not been capitalized.
- (b) Provision for creditors amounting to Rs. 44,564 for a work performed out of Sabha Fund had been understated, while provision for debtors and creditors amounting to Rs84,459 for 04 works performed under capital grants had been overstated. during the year under review had not been capitalized.
- (c) An over provision of Rs. 50,000 had been made for audit fees for the preceding year.

1.3.2 Non-reconciled Accounts

The total of disparities between 04 accounts balances shown in the financial statements and balances relevant to those shown in the books and schedules amounted to Rs. 966,571.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Work Grants amounting to Rs. 2,512,199 relevant to the period from the year 2011 to the year 2016 and vehicle hire charges amounting to Rs. 1,046,359 relevant to the period from the year 2013 to the year 2016 had not been recovered.

(b) Accounts Payable

While action had not been taken during the year under review too, to settle the work creditors balances totaling Rs. 4,505,462 relevant to the period from the year 2014 to 2016 and expense creditors balances totaling Rs. 5,396,252, a sum of Rs. 4,834,399 was a balance payable to the Pension Department over a long period .

1.3.4 Lack of Evidence or Audit

Seven items of accounts totaling Rs. 272,569,939 could not be satisfactorily vouched in audit due to non-availability of required information.

1.3.5 Non-compliance with Laws Rules, Regulations and Management Decisions.

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to laws, rules, regulations and Management decisions	Non-compliance
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(a) Pradeshiya Sabha Act No. 15 of 1987 Section 152 (2)	Although taxes could be recovered from professionals, the Sabha had not removed taxes from the institutions relevant to the legal profession.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571 (3)	Action had not been taken to clear 51 deposit balances totaling Rs. 847,542 which had elapsed more than two years from the date of deposit.
(c) Public Administration Circular No. . 30/2016 dated 29 December 2016	Fuel consumption of 11. vehicles belong to the Sabha had not tested.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 2,955,65 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 9,555,250.

2.2 Revenue Administrations.

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

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under and preceding year as furnished are shown below.

Source of Revenue	2016				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i Rates and Taxes	2,547,370	2,393,872	2,333,308	1,391,165	2,848,849	2,751,934	2,677,050	1,336,870
ii Rent	10,178,040	10,337,145	10,424,977	2,488,957	9,498,119	9,200,572	9,243,629	2,576,789
iii Licence Fees	1,224,360	1,672,993	1,695,043	14,250	797,800	1,212,241	1,177,691	36,300
iv Other Revenue	15,318,810	15,374,285	8,333,864	20,348,651	14,713,314	13,789,373	19,688,378	25,829,001
Total	29,268,580	29,778,295	22,787,192	24,243,023	27,858,082	26,954,120	32,786,748	29,778,960

2.2.2 Performance in Revenue Collection

While Revenue Billed for the year under review had been Rs.. 29,778,295 out of that a sum of Rs.. 22,787,192 had been collected.

2.2.3 Rates and Taxes

While Rates in arrears balance as at the end of the year under review amounted to Rs. 1,391,165, action had not been taken to recover Rates in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.4 Rent

Following matters were observed.

- (a) Stalls Rent in arrears as at the end of the year under review had been Rs. 862,036. Out of that, arrears due from 14 stalls had been relevant to 6 to 96 monthly instalments. Action had not been taken to take over the stalls in terms of the agreements and to recover amounts in arrears in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987.
- (b) (i) When leasing out 48 stalls in Beliatta New Market Complex, 25 stalls in New Library Building, 20 stalls in Bandarawatta Public Market, action had not been taken in terms of Paragraph 01 of the Circular No. දපපා/පපාකො/2010/01 dated 27 December 2010 of the Southern Province Commissionwr of Local Government.
- (ii) Lump Sum Money had not been recovered in accordance with paragraph 04 of the above mentioned circular. Due to that, value of Lump Sum money to be recovered further from nine lessees of the Beliatta New Market Complex and five lessees of the New Office Library Building as at 23 May 2018 amounted to Rs. 2,181,000.

2.2.5 License Fees and Business Tax

License Fees amounting to Rs. 14,250 and Industrial and Business Tax amounting to Rs. 47,000 were outstanding to be recovered as at the end of the year under review, as action in terms of Section 149, 150 and 152 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken.

2.2.6 Court Fines and Stamp Fees

Court Fines amounting to Rs. 852,938 and Stamp Fees amounting to Rs. 19,495,713 were Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 are shown below.

(a) Delays in fulfillment of works

- (i) Although a sum of Rs. 775,000 had been received to the Sabha under the Southern Province Development Plan – 2016 and 2017 - Members Provisions, for construction of a public well, project had not been completed during the year under review.
- (ii) Although a sum of Rs. 365,486 had been spent up to the year under review, for three projects estimated for Rs. 620,000, action had not been taken to complete two projects even at the end of the year under review.

(b) Solid Waste Management

Following matters were observed.

- i. Only a part of the daily collected garbage had been sent to the Compost Production House and the balance part had been dumped into a private land in Beligalla, Halpandeniya.
- ii. Conditions and requirements referred to in the environmental protection permit with regard to wastes that cannot be used for production of carbonic fertilizer and other solid wastes for recycling, fixing adequate fire extinguish equipment and facilities had not been fulfilled.

(c) Sustainable Development Targets

Long term plans for up-lifting living condition and health of the people in the area of authority of the Sabha through Global Index Agenda 2030, targeting sustainable development objectives, had not been prepared by the Sabha.

3.2 Management Inefficiencies

(a) Implementation of Board of Survey Reports

Recommendations pointed out through the board of survey report -2016 with regard 11 shortages of goods had not been implemented even as at 31 October 2017.

(b) Providing Flag Posts for Local Government Institutions

Action had not been taken even up to 31 December 2017 to get back 279 flag posts provided to outside parties during December 2014 out of 600 flag posts received through the Ministry of Local Government and Provincial Councils.

3.3 Human Resources Management

There were excess of 35 persons relevant to 12 posts and vacancies of 17 persons relevant to 09 posts approved cadre as at 31 December of the year under review Action had not been taken to regularize the excess posts as well as to fill the vacancies.

3.4 Operational Inefficiencies

(a) Leasing out second and third floors of the Beliatta New Market Complex

- i. Internal empty spaces in the first and second floor provided according to the said building plan had been completely covered by the lessee without permission of the Sabha and used for business activities.
- ii. Necessary course of action had not been taken with regard to use of stall No. 2 in the second floor and setting up the rear section of the of the market complex as a third floor by placing concrete slabs.

(b) Leasing out stall No. 02 and No. 03 in the second floor of the Beliatta New Market Complex

- i. Rent relevant to stall No.02 given on lease since February 2009 and Stall No. 03 given on lease since August 2007, which was taken over on the basis of a Sabha decision taken in December 2013 had not been billed and recovered.
- ii. Out of the lump sum money to be recovered for these stalls, a sum of Rs. 28,000 and a sum of Rs. 200,000 respectively were in arrears even as at the end of the year under review.

(c) Leasing out stall No. 34 in first floor of the Beliatta New Market Complex

This stall had been given on lease without entering into agreement on 20 August 2008 and action had not been taken to bill the stall rent and recover rent from that date to August 2017.

3.5 Assets Management

3.5.1 Idle and Underutilized Assets

Machinery and Equipment relevant to Block Stone Production and Coir Mill Projects of the Sabha since a period from 01 to 04 years, 06 Canopy Booths and Multi Chopper Machine since nearly a period of 02 years, Smoke Spreading Machine since nearly 04 years period, three vehicles since a period from 02 to 03 years remained idle without being used.

3.5.2 Vehicles Utilization

While action had not been taken to vest ownership of 12 vehicles used by the Sabha, Revenue Licenses for the year under review for 11 vehicles and annual insurance certificate for one vehicle had not been obtained.

3.6 Identified Losses

Although facilities had been provided to park buses and vans belong to a private organization in the vehicle park belongs to Sabha, action had not been taken to recover a fee for that from that organization.

3.7 Contracts Administration

According to the physical inspection carried out on 17 November 2017 relevant to development of Ubayaratne Road under provisions of the Local Government Department and according to quality test results of the of block stones carried out in the laboratory on 08 December 2017, it was confirmed that all block stones tested were not up to the standard. Accordingly, it was observed that the sum of Rs. 387,411 paid for this work was a fruitless payment.

4. Accountability and Good Governance

4.1 Budgetary Control

The budget had not been made use of as an effective tool of management as material variances between the budget for the year under review and the actual revenue and expenditure were observed as shown below.

- (a) While the total of adverse variance of two items of revenue was Rs. 12,226,299 the percentage of those values was 14 percent and 30 percent respectively
- (b) While the adverse variance of travelling Expenses item was Rs.115,060, the percentage of that value was 25 percent.

4.2. Audit and Management Committees

Although 04 meetings of Audit and Management Committees should be conducted in terms of Management Audit Circular No. DMA/2009(1) dated 09 June 2009, only 02 meetings had been conducted for the year under review,

5. Systems and Control

Deficiencies observed in audit were brought to the attention of the Sabha from time to time. Special attention should be made in respect of following areas of systems and controls.

System -----	Deficiency -----
(a) Accounting	<ul style="list-style-type: none"> I. Existence of differences between values shown in the financial statement and subsidiary registers. II. Failure to update the register having settled sundry deposits.
(b) Revenue Administration	<ul style="list-style-type: none"> I. Lack of attention for identification of new revenue generating sources II. Instances of leasing out stalls without proper assessments and entering into agreements. III. Existence .of unbilled stalls over a long period.
(c) Budgetary Control	<ul style="list-style-type: none"> I. Existence of material variances between the budget and actual revenue and expenditure. II. Failure to take action to reach budgeted targets.

