

Bulathkohupitiya Pradeshiya Sabha
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 July 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 Bulathkohupitiya 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 matters were observed.

- (a) Excess charges of acreage tax relating to the year 2016 amounting to Rs.53,707 had been shown as the revenue of the year under review and as such revenue of the year had been overstated by similar amount.
- (b) The receipts of court fines amounting to Rs.2,122,264 relating to the previous years had been shown as the revenue of the year under review, and as such the accumulated fund had been understated and the revenue of the year under review had been overstated by similar amount.
- (c) The stamp fees amounting to Rs.2,036,262 relating to the previous years had been shown as the revenue of the year under review and as such the accumulated fund had been understated and the revenue of the year under review had been overstated by similar amount.
- (d) Even though, the over provision of creditors in the year 2016 had been Rs.232,522, that was brought to account as Rs.265,427 and as such the accumulated fund had been overstated by Rs.32,905.
- (e) The court fines receivable for the year 2017 from Kegalle and Ruwanwella Courts amounting to Rs.3,832,657 had not been brought to account as the revenue of the year and as such the revenue of the year had been understated by similar amount.
- (f) The trade stall rent receivable amounting to Rs.635,550 had not been brought to account and as such the revenue receivable and the trade stall revenue of the year had been understated by similar amount.

- (g) The receivables and the payables as working grants in the year 2017 amounting to Rs.12,004,636 had not been shown under debtors and creditors.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) The total of the fixed assets accounts amounted to Rs.75,130,089 but the balance of the revenue contribution to capital outlay account had been Rs.75,161,289 thus a difference was Rs.31,200.
- (b) The balance of 04 items of accounts aggregated Rs. 5,948,375 as per the financial statements whereas the balances of accounts aggregated Rs. 8,227,642 as per subsidiary registers/reports resulting a difference of Rs. 2,279,267.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The balances of accounts receivable older than one year as at 31 December 2017 totalled Rs.2,962,081.

(b) Accounts Payable

The balances of accounts payable older than one year as at 31 December 2017 totalled Rs.1,662,247.

1.4 Non-compliances

1.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliances with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions

Value

Non-compliance

Rs.

(a) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

- | | | | |
|-----|-----------------------------|---------|---|
| (i) | Financial Regulation 371(b) | 104,038 | Even though, every advance granted should be settled as at 31 December of the respective year, the advances granted in 04 instances in the years 2012, 2016 and 2017 had not been settled.. |
| (b) | Financial Regulation 371(c) | 161,500 | The ad-hoc sub-impressts should be settled immediately on the same |

day or following working day after the completion of the purpose for which it is granted. Nevertheless, the advances granted in 10 instances in the year 2017 had not been settled even by January 2018.

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|-------|---|---------|---|
| (iii) | Financial Regulation 396(d) | 5,955 | Action had not been taken on 09 cheques issued but not presented for payment. |
| (iv) | Financial Regulation 571 | 680,629 | Action had not been taken on deposits exceeded 02 years relating to the period from the year 2011 to 2014. |
| (b) | Public Administration Circular No.30/2016 dated 29 December 2016. | | - Fuel consumption tests on 07 motor vehicles of the Sabha had not been carried out for the period ranging from 2 years to 7 years. |
| (c) | Circular No.10/98(i) of the Chief Secretary of the Sabaragamuwa Province dated 31 March 2013. | 9,815 | The security deposits to be recovered from 04 officers had been less recovered. |

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 2017 amounted to Rs. 2,680,855 as compared with the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.3,443,871.

2.2 Revenue Administration

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

The information with regard to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	Estimated Revenue	<u>2017</u>			Total arrears as at 31 December	<u>2016</u>			Total arrears as at 31 December
		Billed Revenue	Collected Revenue	Collected Revenue		Estimated Revenue	Billed Revenue	Collected Revenue	
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,445,560	1,767,982	1,915,280	108,979	1,404,954	1,462,796	1,362,586	201,599	
(ii) Lease Rent	1,757,300	1,966,217	1,442,752	523,465	1,448,400	1,736,745	1,736,745	-	
(iii) Licence Fees	362,700	259,532	259,532	-	322,000	238,886	255,126	-	
(iv) Other Revenue	18,612,644	-	27,503,624	-	35,555,131	-	25,937,354	-	

2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase with regard to rates and taxes by 32 per cent and the lease rent, licence fees and other revenue had decreased by 18, 28 and 27 per cent respectively.

2.2.3 Rates and Taxes

The assessment properties of the Sabha had been vested from the Yatiyanthota Pradehisya Sabha in the year 2009. Even though, the action had been taken to recover rates on the new assessment for 640 units out of 1,620 units of assessments from the year 2016, the rates and taxes from balance 980 units had been recovered, further, based on the assessment of 2009.

2.2.4 Licence Fees

The following matters were observed.

- The environmental protection licences had not been obtained for 04 industries that should be obtained environment protection licences and necessary actions had not been taken thereon.
- Action had not been taken by the Sabha to recover business tax relating to 05 business institutions for the year under review.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads, comfort. facilities and wellbeing of the people under Section 03 of the Pradeshiya Sabha Act are given below.

(a) Failure to Achieve expected output level

The development of the Bulathkohupitiya Weekly Fair premises had been assigned to the State Engineering Corporation in January 2014. Nevertheless, that constructions of the premises of weekly fair had not been completed even by May 2018. Further a sum of Rs.260,000 had been incurred during the year under review to obtain a land on rent at the rate of Rs.5,000 per day for maintaining the weekly fair and a sum of Rs.980,000 had been incurred from the year 2014 to December 2016.

(b) Sustainable Development Goals

As the Sabha had not aware the 2030 Agenda relating to the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha had not been prepared through global indicators for that objectives even by May 2018.

3.2 Assets Management

Action had not been taken to settle the shortage of 2 category of goods valued at Rs.22,000 which revealed in the Boards of Survey carried out as at 31 December 2016.

4. Accountability and Good Governance**4.1 Budgetary Control**

Entire provisions aggregating Rs.27,917,400 out of the provisions made in the Budget 2017 had been saved in 82 instances and the savings ranging from 76 per cent to 99 per cent relating to 21 Objects totalled Rs.130,940,550.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System -----	Defficiency -----
(a) Accounting	(i) Figures in the journal entries were not correct. (ii) Non-reconciliation of schedules with accounts. (iii) Action not taken to settle long term balances of accounts receivable and payable. (iv) Under statements and over statements of revenue, expenditure and assets, liabilities.

- (b) Budgetary Control
 - (i) Significant savings on provisions.
 - (ii) Non-recovery of estimated revenue.

- (c) Revenue Administration
 - (i) Failure to identify develop areas to recover rates and taxes.
 - (ii) Failure to take legal action to recover arrears of revenue.

- (d) Motor vehicle utilization
 - (i) Delays in presentation of Daily Running Charts.
 - (ii) Failure to carry out fuel consumption tests on vehicles.
 - (iii) Action not taken for vesting of motor vehicles of other institutions utilized by the Sabha.
 - (iv) Under-utilization of motor vehicles.