

Bulathsinhala Pradeshiya Sabha

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Kalutara District  
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1. Financial Statements

1.1 Presentation of Financial Statements

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While Financial Statements for the year 2017 had been submitted on 27 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 October 2018.

1.2 Qualified Opinion

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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 Bulathsinhala 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 Statement

1.3.1 Accounting Deficiencies

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Following accounting deficiencies were observed.

- (a) The value of lands and buildings belong to the Pradeshiya Sabha had not been assessed and shown in the financial statements.
- (b) According to Madurawala Pradeshiya Sabha financial statements , it had been shown that a sum of Rs. 221,804 has to be paid to the Bulathsinhala Pradeshiya Sabha, and therefore it has to be shown as a sum receivable in the Bulathsinhala Pradeshiya Sabha Account. However, it had been shown as a sum of Rs. 331,130 payable to the Madurawala Pradeshiya Sabha in those accounts.
- (c) Eleven tables and a stage made by the Sabha during the year 20117 at a total value of Rs. 435,720 had not been capitalized. Due to that, relevant assets and Contribution from Revenue to Capital Outlay Account had been understed to that extent.
- (d) Although three Garbage Carts valued ar Rs. 54,865 identified as assets under Motor Vehicles and Carts Account had been removed through the auction sales during the years 2009 and 2010, action had not been taken to remove those from the financial statements.
- (e) Action had not been taken to identify and include in the accounts, the value of a tractor and trailer now in use, received as donations during the year 2010 and shown in the assets register without mentioning the value.
- (f) Three items of accounts consist of bulbs, other purchases and batteries valued at Rs. 10,720 had not been identified and accounted under current assets.

- (g) General Stores Stocks consist of various items and totaling to Rs. 28,735 had been understated under current assets. Due to that current assets had been understated to that extent.
- (h) While a sum of Rs.199,090 had been credited to Accumulated Fund during the year 2012 without clarification , a sum of Rs. 16,848,511 had been debited to that account as billing for continuation works. However, corresponding entries relevant to these debits and credits had not been accounted even up to the year under review.
- (i) In order to rectify the error occurred due to debiting only the Debtors Account in a sum of Rs. 2,026,299 receivable for continuation works during the year 2011, Suspense Account had been credited during the year 2012. The effect on accounts due to this error had not been rectified even during the year under review.
- (j) In order to rectify the error occurred due to crediting only the Debtors Account in a sum of Rs. 26,014,349 for writing off Works Debtors during the year 2011, Suspense Account had been debited. The effect on accounts due to this error had not been rectified even during the year under review.
- (k) In order to remove the error occurred due to overbilling Works Creditors in a sum of Rs. 29,600,825 during the year 2011, only the Works Creditors Account had been debited. Suspense Account had been credited to rectify that error during the year 2012. The effect on accounts due to this error had not been rectified even during the year under review.
- (L) When transferring a sum of Rs. 2,600,000 from Works Cash Account to the General Cash Account during the year 2012 while the relevant cash accounts had been debited and credited, Revenue Grants Account too had been credited. The effect on accounts due to this error had not been rectified even during the year under review.
- (m) Making only the debit entry of Rs. 470,407 referred to in paragraph (i) under accounting deficiencies in the Auditor General's report for the year 2011, had not been rectified even through financial statements for the year under review.
- (n) Correction of Creditors Balance of Rs. 1,338,486 referred to in paragraph 2.2.4 in the Auditor General's report for the year 2011, had not been made even through financial statements for the year under review.

### 1.3.2 Non-reconciled Control Accounts

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- (a) According to financial statements as at 31 December 2017, the balance of rates and acreage tax in arrears had been Rs. 1,115,474. According to the report on arrears of revenue, that balance had been Rs. 1,162,430. Accordingly, a difference of Rs. .46,956 was observed.
- (b) According to financial statements as at 31 December 2017, the balance of lease rent in arrears had been Rs. 25,967. However, such balance was not observed according to the report on arrears of revenue.

### 1.3.3 Suspense Accounts

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Suspense Account credit balance of Rs.116,297 as at 01 January 2017 had increased further to a credit balance of Rs. 857,690 at the end of the year under review.

### 1.3.3 Accounts Receivable and Payable

#### Accounts Receivable

Action had not been taken to settle receivable balances appearing as Street Lamps Grants and Value Added Tax amounting to Rs. 114,070 and Rs. 410,901 respectively remaining over long period.

### 1.3.4 Lack of Written Evidence Required for Audit

Work Creditors balance totaling Rs. 462,532 could not be satisfactorily vouched in audit due to lack of works registers and relevant schedules.

### 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	Value	Non-compliance
	Rs.	
(a) 1988 Pradeshiya Sabha (Financial and Administrative) Rules Rule 218		All Lands and Buildings belong to the Sabha Had not been inspected once in every year.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 371 (c)	43,859	Although the advances given for a particular work should be settled immediately after completion of the relevant work, advance balance of Rs. 43,859 had not been settled even as at 23 April 2018.
Financial Regulation 571	236,000	Action had not been taken. to credit to revenue or to settle deposits amounting to Rs.236,000 that had exceeded 02 years
Financial Regulation 1647 (b)		Although a full survey of vehicles and tools of those belong to the Sabha should be carried out, such survey had not been carried out.

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 had been Rs. 9,069,143 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 7,480,372 in the preceding year.

2.2 Revenue Administration

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

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

Source of Revenue	2017			Balance as at 31 December	2016			Total Arrears as at 31 December
	Estimated Revenue	Revenue Billed	Revenue Collected		Estimated Revenue	Revenue Billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	3,453,767	3,299,717	2,669,707	980,244	3,447,880	3,320,487	4,083,565	596,282
(ii) Rent	4,760,000	-	785,470	-	3,400,000	-	771,355	-
(iii) License Fees	560,000	548,995	601,765	-	340,000	276,404	378,324	-
(iv) Other Revenue	21,520,000	-	25,702,009	-	20,235,000	-	19,922,711	-

2.2.2 Performance in Revenue Collection

(a) Rates

- (i) While Rates billings for the year under review were Rs. 2,052,880 out of that, a sum of Rs. 1,231,285 or 59.9 percent only had been recovered during the year.
- (ii) While a sum of Rs. 208,846 or 46.81 percent only had been recovered out of balance of arrears amounting to Rs. 446,162 at the beginning of the year under review, total arrears at the end of the year was Rs. 1,058,911. Accordingly, overall progress in recovery of rates had been 57.63 percent .

- (iii) Arrears amounting to Rs. 962,282 due from 2249 units and outstanding from 01 to 03 years, arrears amounting to Rs. 53,871 due from 29 units and outstanding from 03 to 05 years and arrears amounting to Rs. 42,758 due from 22 units and outstanding from 05 to 10 years were included in the rates in arrears amounting to Rs. 1,058,911 as at 31 December 2017.

(b) Acreage Tax  
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- (i) While Acreage Tax billing for the year under review had been Rs. 40,887 out of that a sum of Rs 19,893 or 48.65 percent only had been recovered.
- (ii) While a sum of Rs. 4,932 or 5.64 percent only had been recovered out of the balance in arrears amounting to Rs. 87,457, total arrears at the end of the year had been Rs. 103,519. Accordingly, overall progress in recovery of acreage tax had been 19.34 percent.

2.2.3 Other Revenue  
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(a) Advertisement Boards Revenue  
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When displaying a particular advertisement in terms of Local Government Standard By-laws Act No. 06 of 1952, such display should be made only under a license issued by the Secretary. However, advertisement boards had been displayed without obtaining such authority. According to sample audit tests, a sum of Rs. 47,008 was due to be recovered for 14 advertisement boards displayed without such authority. A survey too had not been carried out with regard to advertisement boards for the year 2017.

(b) Vehicle Parking Fees  
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Action had not been taken to register and recover fees from the three wheeler vehicles, parked in the area of authority of the Sabha.

2.2.4 Court Fines and Stamp Fees  
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Court Fines amounting to Rs.1, 735,667 and Stamp Fees amounting to Rs. 12,707,810 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review  
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3.1 Performance  
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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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) Action Plan

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Details relating to works expected to be performed by the Sabha for the year 2017 had not been included in the action plan.

(b) Sustainable Development Targets.

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Although the Sabha was aware of sustainable development objectives, projects relevant to those had not been prepared and implemented during the year 2017.

3.2 Management Inefficiencies

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(a) When separating the Bulathsinhala Pradeshiya Sabha as Bulathsinhala and Madurawala with effect from 15 April 2006, although the assets and liabilities belong to Madurawala should be apportioned, those assets and liabilities had not been separated even as at 02 May 2018.

(b) Action had not been taken either to number or to maintain an updated register to make it possible for correct identification of street lamp posts in the area of authority of the Sabha.

3.3 Human Resources Management

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(a) Vacant Cadre

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(i) According to cadre details furnished as at 31 December 2017, 02 posts of Ayurvedic Doctors, a post of Librarian, a post of Pre-school teacher, a post of Works Overseer, a post of Health Inspector, 02 posts of Sanitary Laborers and 02 posts of Works Laborers had been vacant.

(ii) While there were 12 persons in the approved cadre of drivers in the Sabha, a road laborer and three field laborers had been attached for driving duties.

(b) Staff Loans

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Action had not been taken even as at 31 December 2017 to recover the loan balance of Rs. 78,702 due from two officers vacated service, deceased and retired.

3.4 Assets Management

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3.4.1 Lack of security of assets

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(a) While there were 36 burial grounds within the area of authority of the Sabha, action had not been taken to gazette those and vest in the Sabha. Survey works had been done only in 06 burial grounds. A number of burial grounds belong to the Sabha had been used by outside parties due to failure in vesting those legally.

(b) Action had not been taken to register, update and gazette the roads belong to the Sabha to make it possible for correct identification.

### 3.4.2 Idle or Under-utilized Assets

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- (a) New Trade Complex Building constructed by the Sabha having incurred expenditure amounting to Rs. 35,399,570 and completed by 31 December 2016 remained un-utilized even as at 03 May 2018. This building had been constructed without a duly approved plan.
- (b) While vehicles maintenance and service unit had been established in Meegahakumbura area number of years ago by the Sabha, the land with this unit was not belong to the Sabha. Any course of action had not been taken by the Sabha to vest this land or to identify as an asset. Although revenue estimates at the rate of Rs. 500,000 had been prepared relevant to the years 2016 and 2017, service activities of this centre had not been commenced even as at 23 January 2018. However, the equipment valued at Rs. 73,350 purchased for operation of this centre had been stored in the centre over a long period.

### 3.4.3 Vehicles Utilization

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- I. While a cab vehicle and 02 tractors had been withdrawn from running over a long period, action had not been taken to repair or to take other suitable course of action even up to 24 July 2018.
- (c) Out of 15 vehicles in use belong to the Sabha, only the third party insurance cover had been obtained for 11 vehicles.
- (c) While repair works of most of the Sabha vehicles are being carried out by the technical officer of the Sabha, a proper control had not been enforced with regard to spare parts removed after repairs.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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- (a) Material variances between the budget and actual revenue and expenditure were observed. Therefore, it was observed that, the budget had not been made use of as an effective tool of management.
- (b) Although it had been estimated to earn revenue of Rs. 5,060,000 from 06 items of revenue during the year, any amount could not be earned during the year.

### 4.2 Internal Audit

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The Sabha had not taken action to appoint an internal audit officer and carry out the internal audit work.

5. Systems and Controls

Deficiencies observed were brought to the notice of the Sabha from time to time. Special attention of the Sabha is needed in the following areas of controls.

System	Deficiency
(a) Accountings	I. Non-updated registers.
(b) Revenue Administration	I. Non-recovery of arrears of revenue II. Failure to carryout formal surveys for correct identification of revenue such as advertisement boards,license fees etc.
(c) Budget	I. Large range of budget variances II Un-realistic revenue estimates.
(d) Stores Control	I. Non-maintenance of proper and updated registers. II. Non-maintenance of a register for condemned vehicles.
(e) Staff Management	I. Non-deployment of road and field laborers under a correct methodology. II. Weaknesses in supervision of duties of employees.