

**Bulathsinhala Pradeshiya Sabha
Kalutara District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 27 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 June 2019 and 23 September 2019 respectively

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 Bulathsinhala Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| (i) Lands and buildings belong to Sabha had not been assessed and shown in the financial statements. | Value of Lands and Building should be assessed and include to the financial statements. | Survey activities are being doing, appointing a committee for land and building belong to Sabha. Action will be taken to settle in 2019. |
| (ii) Instead of taking physical stock into accounts as stock value, the book balance of Rs. 2,691,829 had been accounted. | Physical stock should be accounted. | Action will be taken to account, considering the balance of book value and physical stock |

(b) **Suspense Account**

Audit Observations

Recommendation

Comments of the Accounting Officer

Suspense account credit balance of Rs. 857,690 as at the end of the year under review had not been identified and adjusted in to accounts.

Suspense account should be settled.

Suspense account will be corrected in future accounting year.

(c) **Accounts Receivable and Payable**

Audit Observations

Recommendation

Comments of the Accounting Officer

(i) Action had not been taken to settle Value Added Tax (vat) amounting to Rs. 410,901 remain from 8 years.

Should be taken to settle.

Information relevant to balance of VAT was forward to Inland Revenue Department, action will be taken to settle this balance in 2019.

(ii) Action had not been taken to settle Industrial Debtors balance of Rs. 71,451 and Rs. 1,241,665 remain from 2015 and 2016 receptively.

Should be taken to settle.

Cash had been requested from the Ministry of Local Government, after receiving action will be taken to correct in future.

(iii) Action had not been taken to settle the payable amount of Rs. 1,517,328 to Industrial Creditors for the year 2015 and 2017.

Should be taken to settle.

Action will be taken to correct in future year accounts.

1.4 Non Compliances

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

| Reference to Laws, Rules, Regulations and Management Decisions | Amount | Non Compliance | Recommendation | Comments of the Accounting Officer |
|---|--------|--|---|--|
| | Rs. | | | |
| (a) Pradeshiya Sabha Act No.15 of 1987 | | | | |
| (i) Section 134(i) | | Immovable properties situated in an area declared by the Sabha as developed areas where as new identification had not been done for rates. | Action should be taken according to the Pradeshiya Sabha Act. | Action should be taken to revise the rates once a five years in the year 2020 |
| (ii) Section 160 | | Properties had not been seized as the last resort for recovery of rates. | Action should be taken according to the Pradeshiya Sabha Act | Red notices are being issuing. And action is being taking up to seize properties. |
| (b) 1988 Pradeshiya Sabha (Financial and Administration) Rule 218 | | All lands and buildings had not been inspected once in every year. | Action should be taken according to the rule. | Action will be taken to correct by appointing a committee for surveying of land and buildings. |
| (c) Gazette No.1888/47 dated 28 December 2015 | 48,100 | Action had not been taken to recover the charges relevant to 30 advertisement boards within the Sabha area. | Action should be taken according to the Gazette. | Informed to the owners in writing to pay the charges for relevant advertisement boards. |

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 2018 had been Rs.

3,318,814 as compared with the corresponding excess of revenue over Recurrent Expenditure amounted to Rs. 9,069,143 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 for the year under review and preceding year, as furnished are given below.

| Source of Revenue | 2018 | | | | 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 | 3,538,767 | 3,147,502 | 2,927,209 | 708,683 | 3,453,767 | 3,299,717 | 2,669,707 | 980,244 |
| (ii) Rent | 4,960,000 | - | 650,110 | - | 4,760,000 | - | 785,470 | - |
| (iii) License Fees | 610,000 | 350,000 | 716,443 | - | 560,000 | 548,995 | 601,765 | - |
| (iv) Other Revenue | 21,580,000 | - | 13,577,105 | - | 21,520,000 | - | 15,390,670 | - |

2.2.2 Rates and Taxes

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| (i) The arrears of rates at the commencement of the year had been Rs. 1,180,885 out of that a sum of Rs. 543,743 had been recovered during the year. | Action should be taken to recover the arrears. | Red notices were issued for recovering the arrears, action is been taken to the process of seized the properties. |
| (ii) The arrears of rates amounting to Rs. 1,226,240 as at 31 December 2018, it had been decreased to Rs. 875,122, in that arrears there were balance amounting to Rs. 661,320 due from 1043 units and outstanding from 01 to 3 years, arrears amounting to Rs. 195,213 due from 240 units and outstanding from 3 to 5 years and arrears amounting Rs. 18,589 due from 25 units and outstanding from 5 to 10 years. | Action should be taken to recover the arrears. | Action will be taken to recover the arrears revenue. |

2.2.3 Court Fines and Stamp Fees

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| Stamp Fees and Court Fines amounting to Rs. 12,689,345 and Rs. 5,735,667 respectively had been receivable from the Chief Secretary to the Provincial Council. It had not been received any cash from stamp fees, and a sum of Rs.5,527,115 of court fines relevant to 2017 had been received. | Action should be taken to obtain relevant revenue. | Schedules of stamp fees relevant to 2017 prepared and handed over to the Department of Provincial Revenue, schedules of 2018 are preparing up to now. So that relevant cash will be recovered in this year. |

3. Operating Review

3.1 Performance

| Audit Observations | Recommendation | Comments of the Accounting Officer |
|--|---|-------------------------------------|
| (a) Action Plan | | |
| (i) Even though a sum of Rs. 2.5 million had been allocated for the budget for newly construction of road under physical planning and roads, projects had not been identified for those in the action plan, a cost of Rs. 1.17 million of 3 projects had been implanted during the year 2018. | Action should be taken to implement the identified projects that has in the Action Plan under budget provision. | Action will be corrected in future. |
| (ii) Even though according to the Section 3(b) of the State Finance circular No.01/2014 dated 14 February 2014, performance should be evaluated between expected output and results in the Action Plan, it had been identified for 31 activities for amounting to Rs. 108.64 million of budget provision under the 5 programmes and had been appointed responsible officers to responsible and supervised, but Sabha had not a method to measure the progress of those activities. | Action should be taken to evaluate the performance according to relevant circular. | Action will be corrected in future. |

(b) Targets of Sustainable Development

| | | |
|--|--|--|
| Although Sabha had awarded of the Agenda on the targets of Sustainable Development 2030, it had not been delegated responsibility and preparing long term plan up to 31 December 2018 for improving the quality of the life and the health of the public by the targets of Sustainable Development and New Global Indices. | Should be prepared long term plan and delegated specific responsibilities to perform sustainability targets. | Sabha was awarded regarding this at the workshop held on 24 January 2019. Because of that had not prepared long term plan and delegated specific responsibilities in 2018. Relevant activities had been performed in 2019. |
|--|--|--|

3.2 Management Inefficiencies

| Audit Observations ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|--|
| Action had not been taken to settle the credit balance of Rs.4,675,992 in receivable salary reimbursement account. | Action should be taken to settle the balances. | Action will be taken to settle in later. |

3.3 Human Resources Management

| Audit Observations ----- | Recommendation ----- | Comments of the Accounting Officer ----- |
|--|--|---|
| (a) Librarian, Revenue Inspector, Pre-school Teacher, Work Overseer, Health Inspector, Machine Operator had been vacant in one in each post from 01 July 2019. | Action should be taken to fill vacancies in the cadre. | For the Post of librarian was informed to the Western Province Public Service Commission. Since there is a case in the post of Revenue Inspector, recruitments were suspended. Action will be taken to recruit for other vacancies in future. |
| (b) Staff loan balance had been Rs. 82,002 form 03 employees from over one year period. | Arrears loan balance should be recovered soon. | Relevant action will take to recover the loans. |

3.4 Assets Management

3.4.1 Idle and Under Utilized Assets

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|---|---|
| The new shopping complex that had been finished the work up to 31 December 2016 spend of Rs.35,399,870 by Sabha was remained without utilized. | Should be taken to earn income effectively. | As failure to obtain electricity facility this activity did not be done. It is being done by now. |

3.5 Procurement

3.5.1 Procurement Plan

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|--|--|
| A Procurement Plan had not been prepared for 2018 according to the Section 4.2.1 of National Procurement Guideline. | A Procurement Plan should be prepared. | A Procurement Plan will be prepared in 2019. |

3.5.2 Contract Administration

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|---|--|
| (a) According to the Section 3.9.1 of National Procurement Guideline, for awarding contracts under direct contract method for community based organization, and a sum of Rs. 1,192,201 had been paid contrary to the circular. | Actions should be taken according to the National Procurement Guideline. | Action is being taken to get relevant recommendations through a committee. Correcting this matter in future. |
| (b) Although a sum of Rs. 296,236 had been paid to Kalana Mithuru Welfare Society for developing of public road near Millagahawila temple, at the physical inspection it was revealed the stones come up and construction in less quality. | Before made the payment, physically inspect the quality and should be paid. | Will be taken to correct this situation. |

4. Accountability and Good Governance

4.2 Audit Observations not Resolved

Audit Observations

Action had not been taken to correct the paragraphs of 4.1.1 in the Auditor General's Report in 2014 and 2.2.1(h), (i), (j),(k) (l) (m) and (n) in 2017.

Recommendations

Should be corrected.

Comments of the Accounting Officer

Relevant correction will be done in future accounting year.