

Beliatta Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 27 March 2014. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 21 July 2015.

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 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a.) Expenditure amounting to Rs. 112,633 payable to the Local Government Pension Fund relevant to the year under review had been omitted from the expenditure for the year and the Creditors.
- (b.) While a totalled sum of Rs.2,424,717 had been received to the Sabha under Members Provision and Criteria Based Funds for the year 2014, it had been accounted under Capital Revenue (3.80). Out of this, a sum of Rs.2,215,045 had been accounted again as Capital Revenue Receivable in the provision made under Debtors and Creditors as at 31 December 2014.

- (c.) While the value of 06 Works totalling Rs.2,998,804 brought forward from the preceding year had been included in the provision made for Debtors and Creditors, although the performance of those works had been cancelled, that value had not been removed from the financial statements as at 31 December 2014.
- (d.) Although the value payable as at 31 December 2014 for restructuring the front side and back side offices of the Pradeshiya Sabha was Rs. 571,300, it had been shown as Rs.437,671 in the financial statements. Due to that, Works Creditors had been understated in as sum of Rs.133,629.
- (e.) Although the value of buildings totalling Rs. 430,251 belong to the Sabha had been demolished for city development works, the value of those land and buildings had not been removed from the assets shown in the financial statements.
- (f.) The value of Futons Drum Truck Vehicle received on 20 December 2014 as donation to the Sabha for roads maintenance works had not been assessed and accounted.

1.3.2 Improper Transactions

It had been sanctioned to purchase 14 Lap Top Computers for distribution among the 14 Members including the Chairman, Vice President of The Sabha at the General Meeting held on 26 June 2014 contrary to legal provisions relevant to utilization of Sabha Funds in Part v, Section 132 of the Pradeshiya Sabha Act No. 15 of 1987, and 14 Lap Top Computers valued at Rs. 1,046,600 had been purchased on 18 September 2014 out of the Sabha Funds.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs. 264,134 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 1,860,839.

2.2 **Revenue Administration**

Following observations are made.

2.2.1 **Performance in collection of Revenue**

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	2,586	2,755	1,255
(ii.) Lease Rent	8,940	7,541	1,208
(iii.) Licence Fees	573	832	-
(iv.) Other Revenue	40,249	38,106	100,945

2.2.2 **Rates and Taxes**

Action in terms of Section 158(1) (a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Rates Revenue in arrears amounting to Rs. 1,214,028 as at the end of the year under review.

2.2.3 **Lease Rent**

Following observations are made.

(a.) **Stalls Rent**

Action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Stalls Rent, although a sum of Rs. 678,410 was in arrears as at 31 December 2014,

(b.) **Non-following the Tender Procedure**

Although leasing out of stalls belong to the Sabha should be done having obtained a lump sum amount after following open tender procedure in terms of paragraph 01 of the Circular No. SLG/CLG/2010/01 dated 01 January 2011, and

obtaining proper sanction of the Sabha in selecting lessees, action had not been taken in terms of the above mentioned provisions with regard to leasing out all the stalls belong to the Sabha.

(c.) **Sub-leasing Stalls**

Although it is stated according to paragraph 11 of the above mentioned circular that the lessee should not transfer the ownership of the lease to another party under any circumstances without approval of the Sabha, at the physical emanation carried out on 20 February 2015 it was observed that 16 stalls had been subleased, contrary to those provisions.

2.2.4 Machinery and Equipment Revenue

Although a sum of Rs. 1,145,969 was in arrears as at the end of the year, on account of engaging the Beckon Machine, the Motor Grader, the Lorry Bowser and the Gully Bowser in service by the Sabha, action had not been taken to recover that revenue in arrears.

2.2.5 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs.9, 231,206 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Assets Management
- (c.) Staff Administration
- (d.) Revenue Administration