

Bope Poddala Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 07 July 2014 while Financial Statements relating to the preceding year had been submitted on 01 April 2013. The Auditor General's Report relating to the year under review was issued to the Chairman on 22 December 2014.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Bope Poddala Pradeshiya Sabha as at 31 December 2013 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 Non-compliance with Public Sector Accounting Standards

- (a.) Although all Local Authorities should prepare the financial statements according to the Sri Lanka Public Sector Accounting Practices with effect from 01 January 2011, in terms of circular No. PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.
- (b.) A Cash Flow Statement had not been submitted together with the financial statements for the year under review.

1.3.2 Accounting Policies

Accounting Policies followed by the Sabha had not been disclosed together with the financial statements.

1.3.3 Accounting Deficiencies

Following observations are made.

- (a.) Although the pension contribution payable on behalf of the Retired Local Government Employees as at 31 December of the year under review was Rs.3,363,994, it had been shown as Rs.3,281,033 in the financial statements and therefore the Creditors had been understated in a sum of Rs.82,961.

- (b.) The sum of Rs.12,463,545 received from the Local Government Department for reimbursement of salaries had been shown under one Programme instead of apportioning among all Programmes.
- (c.) Although the Stamp Fees Revenue Receivable from the Office of the Galle Register General for the first six months of the year under review was Rs. 9,194,576, it had been shown as Rs. 6,000,000 in the financial statements and due to that, revenue and the Debtors for the year under review had been under stated in a sum of Rs. 3,194,576.
- (d.) Two Lands Valued at Rs.50,000, two Lands value of which could not be computed and 02 tractors valued at Rs. Rs. 75,000 belong to the Sabah had been omitted in the financial statements.
- (e.) Although the balance of the Fixed Assets Account as at 31 December of the year under review was Rs.54,175,566, the balance of the Contribution from Revenue to Capital Outlay Account had been shown as Rs.54,112,790 and due that a difference of Rs.62,776 was observed.
- (f.) Although the value of Investments on Treasury Bills as at 31 December of the year under Review was Rs.1,304,605; it had been shown as Rs.1,333,552 in the financial statements and due that, the balance of Investments on Treasury Bills had been overstated in a sum of Rs.28,947.

1.3.4 Non-reconciled Control Accounts

Following observations are made.

A difference of Rs. 2,601,256 was observed between the total of balances according to control accounts relevant to 08 items of accounts and the balances according to subsidiary registers.

It was not possible to examine the accuracy of the Rates Balance of Rs. 23,043,830 shown in the financial statements as a 31 December of the year under review due to non-balancing of Rates Registers.

1.3.5 Suspense Account

Action had not been taken to identify the Credit Balance of Rs. 559,464 in the Suspense Account as at 31 December of the year under review and make adjustments in the accounts.

1.3.6 Lack of Evidence for Audit

Evidences such as up dated Fixed Assets Register, Schedules, Board of Survey Reports, Confirmations of Balances and the Loans Register connected with transactions totalling Rs. 79,082,495 shown in the financial statements were not furnished to audit.

2. Financial and Operating 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 2013 amounted to Rs. 13,309,947 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 16,113,401.

2.2 Revenue Administration

2.2.1 Rates and Acreage Taxes

Action had not taken action to recover Rates amounting to Rs. 23,043,830 and Acreage Taxes amounting to Rs. 11,114 relevant to the year under review and previous years, in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Trade License Fees

Action had not taken action to recover Trade License Fees amounting to Rs. 32,466 relevant to the year under review and previous years, in terms of provisions in the Pradeshiya Sabha Act No.15 of 1987.

2.2.3 Court Fines and Stamp fees

Courts Fines amounting to Rs. 832,060 and Stamp Fees amounting to Rs.23,244,122 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013.

2.2.4 Leasing out of Stalls

Following matters were observed at the physical inspection carried out on 24 January 2014 with regard to the 08 stalls of the Poddala Public Market.

- (i.) Although it has been informed in term of the Circular No. 2010/01 dated 27 December 2010 of the Southern Province Commissioner of Local Government that every agreement should be updated once in every 03 years in leasing out the stalls, the agreements relating to the Poddala Public Market had not been renewed after the year 1988.
- (ii.) Although the monthly lease rent should be paid before 15th day of each month in terms of the conditions of the agreement, a sum of Rs. 424,081 as lease rent and a sum of Rs. 46,697 as fines were outstanding from all stalls during a time range from 04 to 30 months.

- (iii.) Although the lessee should not sub lease the property taken on lease under any circumstances according to conditions of the agreement, 03 stalls had been sub leased.
- (iv.) Although the lessee should not make any alterations to the property taken on lease without prior approval of the Sabha under any circumstances according to conditions of the agreement, alterations had been made to stalls Nos. 1 to 8.
- (v.) Although goods for sale should be kept only in the stalls according to the conditions of the agreement, goods had been stacked for sale in front of all the stalls.

2.2.5 Telecommunication Tower Charges

Although License Fee determined according to the annual value should be recovered for maintenance of a transmission tower as per Gazette Notification No. 1798 issued on 15 February 2013 by the Sabha, Annual License Fees amounting to Rs. 9,000 had not been recovered for 03 towers erected in the area of authority of the Sabha.

3. Operational Review

3.1 Management Inefficiencies

Declarations of Assets and Liabilities had not been furnished by the Vice Chairman and 05 Sabha Members during the year 2012 and 08 members during the year 2013, as required in terms of the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 of 1988.

3.2 Operating inefficiencies

3.2.1 Geekiyanagewatta Dale Land Auction

Blocking -out Plan had been approved on 05 August 2013 and Development Permit had been given to a private firm for blocking out Geekiyanagewatta Dale Land in extent of 03 acres and 38.94 perches, through the Plan No. 483/2011.

At the physical inspection carried out on 28 January 2014 with regard to the 02 plots land given to the Sabha out of the land auctioned, it was observed that the Plot No.1 in extent of 10.83 was a marginal land situated near access to the land and Plot No. 28 in extent of 26.13 perches was a plot of land situated in the south-west corner boundary to irrigation canal where water get stagnated.

3.2.2 Dishonored Cheques

Action had not been taken to settle dishonored cheques amounting to Rs. 20,339 which were being brought forward since the year 2011, during the year under review too.

3.3 Idle Assets

It had been informed to prepare a scheme within a period of ensuing 03 months, for disposal of old vehicles and machinery getting destroyed without being used in Government Institutions by 05

September 2013, vide Circular No. PCMD/PR/2013 dated 05 June 2013 issued by the Secretary to the President with regard old vehicles and machinery getting destroyed without being used. It was observed in audit examination carried out on 24 January 2014 that two hand tractors and a bowser belong to the Sabha were getting corroded over a period more than 05 years. Although the Commissioner of Local Government had informed the Chairman on 17 September 2013 to take action in terms of the above Circular and report with regard to these goods, action had not been taken accordingly.

4. Systems and Controls

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

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