

Bope- Poddala Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 29 March 2012 and the financial statements for the preceding year had been presented on 29 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 14 February 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Bope- Poddala Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Bope-Poddala Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

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

1.3.2 Accounting Deficiencies

- (a.) Provision had not been made in the financial statements in respect of expenditure amounting to Rs.2,302,963 payable for the year under review and therefore the expenditure for the year had been understated by Rs.2,302,963.

- (b.) Capital aid amounting to Rs.871,667 receivable in respect of the projects during the year under review had not been shown in the financial statements and therefore, the revenue and the debtors relating to the year had been understated by Rs.871,667.
- (c.) Although the income from stamp fees relating to the year under review amounted to Rs.13,910,524, it had been shown in the financial statements as Rs.8,500,000 thus understating the revenue for the year under review by Rs.5,410,524.
- (d.) The sum of Rs.8,781,367 received from the Department of Local Government for reimbursement of salaries had been shown under only one programme, without being apportioned among all the programmes.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs.128,661,086 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding there current expenditure of the Sabha for the year ended 31 December 2011 was Rs.9,140,220 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.7,131,970.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

Information relating to the estimated, revenue, actual revenue and the arrears of revenue in respect of the year under review, as presented by the Chairman, is given below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31
------------------------	------------------	---------------	-------------------------------------

			December
	-----	-----	-----
	Rs.000'	Rs.000'	Rs.000'
(i.) Rates and Taxes	11,586	5,937	16,855
(ii.) Lease Rent	1,523	2,003	592
(iii.) License Fees	41	205	143
(iv.) Other Revenue	25,604	24,924	35,770

2.2.2 Court Fines and Stamp fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities were as follows.

	Rs.
(i.) Court Fines	595,127
(ii.) Stamp Fees	13,259,376

2.2.3 Stall Rent

Rent amounting to Rs.83,810 had been outstanding from 13stalls of the Labuduwa Trade Complex for over 03 months. Although more than 10 years had passed since the signing of agreements for the said stalls, action had not been taken to assess the stall rent and increase the lease rent or to renew the lease agreements.

2.2.4 Lease Rent of Meat Stalls

It was observed that the lease rent of meat stalls amounting to Rs.306,603 had been outstanding from 04 lessees for over 12 years.

2.3 Irregular Transactions

- (a.) A female Ayurvedic Physician had been employed from May 2010 March 2012 without a written approval from the Commissioner of Local Government contravening Section 19(1) of the Pradeshiya Sabha Act No.15 of 1987 and without a formal letter of appointment and a sum of Rs.318,335 had been paid as salaries.
- (b.) The Secretary of the Chief Ministry by his letter No. දපප/ප්‍රඥා/පපා/2/52 dated 28 June 2011 had approved to spend a sum of Rs.25,000 from the Funds of the Sabha for the Local Government Sports Festival. But, the Sabha had spent a sum of Rs.21,953 in excess of the approved amount.

2.4 Operating/Management Inefficiencies

- (a.) According to the Circular No.3/2/1/10(ii) dated 30 September 1992 issued by the Chairman of the Urban Development Authority, 10% of the extent of the land after allowing for streets from every sub-division exceeding 01 hectare should be given to the Sabha for common activities. However, title deeds/ deeds of the gift had not been obtained for 10 plots of land of 171.36 perches allocated to the Sabha by auctions held within the area of authority of the Sabha.
- (b.) A corporate plan and an annual action plan had not been prepared in terms of Paragraph 05 of the Treasury Circular PED/12 dated 02 June 2003. A procurement plan too had not been prepared.

2.5 Repairs to the Childhood Development Centre

The technical officer of the Sabha had prepared an undated total cost estimate for Rs.100,000 in respect of the work and an agreement had been entered into with a Village Development Society at Rs.97,472 on 30 December 2011. The contract period was 03 months. A sum of Rs.81,717 had been paid to the contract society from the Funds of the Sabha on 09 March 2012 based on the undated first and the final payment report amount Rs.90,825.

Although the technical officer had prepared a revised estimate for Rs.300,000 in consequence of works performed in addition to the original estimate, the Sabha had not

approved it. Subsequently, an undated estimate had been prepared for Rs.197,000 as Stage II in addition to the original estimate and an agreement had been entered into for Rs.195,720 on 09 March 2012.

Accordingly, an estimate had been prepared after 02 months for additional works performed irregularly after completion of the work and an invalid agreement had been signed. Accordingly, the dates had not been mentioned in the estimates, measurement reports and payment reports prepared by the technical officer.

2.6 Internal Audit

An adequate internal audit had not been carried out in the institution and an Audit and Management Committee too had not been established.

3. Systems and Controls

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

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