

Baddegama 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 10 April 2013 and the financial statements for the preceding year had been presented on 10 May 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 17 October 2013.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Baddegama Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) The debit balance of Rs.5,577,900 in the suspense account as at 31 December of the year under review had been shown as revenue debtors; without action being taken to identify the balance and adjust the accounts.
- (b.) Although the expenditure on transport, communication, utilities and other services amounted to Rs.71,087; it had been shown in financial statements as Rs.7,108,717 and therefore, the recurrent expenditure for the year under review had been overstated by Rs.7,037,630.
- (c.) Contributions payable to the Department of Pensions as at 31 December 2012 amounted to Rs.5,721,722 and it had been shown in the financial statements as Rs.3,854,403 resulting in an understatement of creditors by Rs.1,867,319.
- (d.) Provisions had not been made in the financial statements for capital aid receivable amounting to Rs.16,970,360 and therefore the debtors and the capital aid of the year under review had been understated by Rs.16,970,360.

A spot check carried out on 13 August 2013 in respect of the auction of this land revealed the following matter.

- (i.) Title deeds relating to the plot No.56, 57 and 58 to the extent of 39.75 perches allocated to the Sabha on the auction of this land had not been obtained. Further the 03 plots of land, adjoining to a paddy field is sloppy
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- (ii.) According to 7(iii) of the Circular issued by the Director General of Urban Development Authority on 16 December 2008, conformity certificates should be obtained for sub-division of lands. But, a conformity certificate had not been obtained up to 13 August 2013; the date of audit examination. The spot check revealed that these plots of land had been sold. As such the Sabha had deprived of a sum of Rs.25,500 recoverable by issuing conformity certificates for 50 plots sub-divided at Rs.1,000 for the 1st plot and at Rs.500 for the balance plots of land.

(b.) Green Field Land

- (i.) While giving approval for the land, conditions had been laid stating that all the roads and the related property and the plot No.43 and 44 allocated for common activities should be vested with the Sabha through title deeds. But, title deeds for plot No.65 by which 01 Rood and 4.44 perches allocated for roads and plot 43 and 44 allocated for common activities had not been obtained by the Sabha.
- (ii.) The plot No.43. and 44 to the extent of 23.77 perches given to the Sabha for common activities are situated in a corner of the south east direction of the land to the extent of 05 Acres and therefore it was observed at the spot check carried out on 13 August 2013 that these plots of land are in the
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(c.) Kandewatta Land

The sub-division plans of the Moolatiyangoda Watta and Kappiyangoda Watta Lands had been approved by the Planning Committee without mentioning the date

and subject to providing electricity and water for each plot. It had been stated that all the infrastructure such as water, electricity and roads should be developed and the conformity certificates should be obtained before sale. However, a spot check carried out on 10 July 2013 revealed that electricity and water had not been provided and there had been no system to dispose of waste.

2.5 Operating inefficiencies

The following observations are made.

- (a.) Action had not been taken during the year under review too, to recover money from the parties responsible for 07 dishonoured cheques valued at Rs.27,256 brought forward since prior to 04 years.
- (b.) Action had not been taken to settle balances of 06 accounts amounting to Rs.516,947 brought forward since over 05 years.
- (c.) Loan balances of Rs.29,865, had been due from 03 employees over 3 years as at 31 December of the year under review and adequate action had not been taken by the Sabha to recover these outstanding loan balances.
- (d.) A corporate plan at least for 03 years had not been prepared in terms of letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance and an action plan had not been prepared for the year under review.
- (e.) An annual procurement plan had not been prepared in terms of National Budget Circular No.128 dated 24 March 2006.
- (f.) Although statements of declaration of assets and liabilities should be submitted according to the requirements of the Declaration of Assets and liabilities Act No.01 of 1975 as amended by Act no.74 of 1988; all the Members including the chairman and the Vice-chairman had not given the statement of declaration of assets and liabilities for the year 2012.

2.6 Internal Audit

An adequate internal audit had not been carried out by the institution and an Audit and Management Committee had not been established in terms of the Circular No.

PE/F/S/4(xiii) dated 28 August 2006 of the Secretary to the Ministry of Finance and Planning.

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.) Financial Control
- (d.) Assets Management