

**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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 07 July 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 29 September 2015.

**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 2014 and its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following observations are made.

- (a.) Although the Courts Fines Revenue for the year under review was Rs. 388,525 it had been shown as Rs. 396,192 in the financial statements and therefore the Courts Fines Revenue and Debtors had been overstated at the rate of Rs.7,667.
  
- (b.) Although the value of Treasury Bills Investments as at 31 December of the year under review was Rs. 1,396,104, it had been shown as Rs. 1,352,159 in the financial statements and therefore the balance of Treasury Bills Investments Account had been understated in a sum of Rs. 43,945.

- (c.) Although the Stamp Fees Revenue Receivable from the Office of the Galle Register General for the second half of the preceding year was Rs. 10,385,422, it had been shown as Rs. 6,000,000 in the financial statements and due to that, the Debtors and the balance of the Accumulated Fund had been understated at the rate of Rs. 4,385,422.
- (d.) The Stamp Fees Revenue Receivable amounting to Rs. 1,085,540 for the year under review from Balapitiya and Elpitiya Register General Offices had not been shown in the financial statements. Due to that, revenue for the year and Debtors had been understated at the rate of Rs.1,085,540.
- (e.) The sum of Rs. 21,024,623 received for salary reimbursements from the Local Government Department had been shown under one Program without being apportioned among all Programs.
- (f.) Fixed Assets valued at Rs. 1,697,914 purchased during the year under review had not been shown in the financial statements.
- (g.) The ladder of 20 feet height purchased for sum of Rs. 33,992 during the preceding year had been exchanged for a ladder of 32 feet height during the year under review and the value of that amounting to Rs. 70,938 had been capitalized, but the value of the ladder of 20 feet height exchanged had not been deleted from the financial statements. Due to that, the Machinery and Plants Account and the Contribution from Revenue to Capital Outlay Account had been overstated at the rate of Rs. 33,992.
- (h.) Although the interest relevant to the year under review for the 06 Fixed Deposits of Rs.1,500,000 deposited in the National Savings Bank was Rs. 108,002, it had been shown as Rs. 85,142 in the financial statements. Due to that, the Debtors and the Interest Income had been understated at the rate of Rs. 22,860.

- (i.) Provision had not been made in the financial statements for Capital Grants Receivable and Capital Expenditure Payable for 04 Works under the Program “From Village to Village - From Door to Door valued at Rs. 1,847,104 as at 31 December of the year under review. Due to that, the Debtors and Capital Grants and Capital Expenditure had been understated to that extent.
- (j.) Provision had not been made in the financial statements for Capital Expenditure Payable for 34 Works valued at Rs. 7,632,131 as at 31 December of the year under review. Due to that, the Creditors and the Capital Expenditure had been understated at the rate of Rs.7,632,131.
- (k.) Provision had not been made in the financial statements for Capital Grants Receivable for 03 Works valued at Rs. 914,916 for the year under review. Due to that, the Debtors and the Capital Grants had been understated at the rate of Rs. 914,916.
- (l.) Lands vested in the Sabha from land auctions in the area of authority of the Sabha valued at Rs.16,129,325 had not been capitalized.

### **1.3.2 Non-reconciled Control Accounts**

A difference of Rs. 3,451,369 was observed between the total of balances according to control accounts relevant to 05 items of accounts and the balances according to subsidiary registers.

### **1.3.3 Suspense Account**

Action had not been taken to identify the Credit Balance of Rs.81,816 in the Suspense Account as at 31 December of the year under review and make adjustments in the accounts.

#### **1.3.4 Lack of Evidence for Audit**

Evidences such as Title Deeds, up dated Fixed Assets Register, Schedules, Board of Survey Reports, Confirmations of Balances and the Loans Register, Register of Advances and Fixed Deposit Certificates connected with transactions totalling Rs.101,615,377 shown in the financial statements were not furnished to audit.

#### **1.3.5 Non-compliance with Laws, Rules and Regulations**

A sum of Rs. 1,500,000 had been paid out of the Sabha Funds to the Chairman, Vice Chairman and 06 Members to go abroad for 02 foreign study tours which not a function is falling under Section 132 of the Pradeshiya Sabha Act No. 15 of 1987, without proper approval as well.

### **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 2014 amounted to Rs.9,437,038 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.13,309,947.

#### **2.2 Revenue Administration**

##### **2.2.1 Rates**

Action had not taken action to recover Rates amounting to Rs. 25,458,796 relevant to the year under review and past years, in terms of provisions in Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987.

##### **2.2.2 Lease Rent**

Action had not taken action to recover Lease Rent amounting to Rs. 2,203,287 relevant to the year under review and past years, in terms of provisions in Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987.

### **2.2.3 Leasing out of Stalls**

Following matters were observed with regard to recovery of Lease Rent of 40 stalls in the Labuduwa Market Complex.

- (i) While these stalls had been lease out for the first time on 30 September 1999, these stalls had been re-assessed after 13 years during January 2013, as effective from January 2012.
- (ii) Re-newel of agreements had not been made up to 11 September 2015, date of audit, after signing the agreements in 1999.
- (iii) Lease Rent from stalls amounting to Rs. 6,878,750 relating to a period from January 2012 upto September 2015 had been lost to the Sabha due to non-payment of taxes on the basis of the new assessment in terms of condition No. 2 of the agreement signed during the year 1999.

### **2.2.4 License Fees**

Action had not taken action to recover License Fees due amounting to Rs. 151,748 relevant to the year under review and past years, in terms of provisions in Section 152(4) of the Pradeshiya Sabha Act No.15 of 1987.

### **2.2.5 Court Fines and Stamp fees**

Courts Fines amounting to Rs. 500,502 and Stamp Fees amounting to Rs. 28,153,346 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

## **3. Operational Review**

### **3.1 Improper Transactions**

#### **National Program or Strengthening Pradeshiya Sabha**

A sum of Rs. 4,000,000 had been received during the year 2014 in terms of the Circular No. 1/2014 dated 05 May 2014 issued by the Secretary to the Ministry of Local Government and Provincial Councils for providing Rs.1,000,000 monthly to every Pradeshiya Sabha for maintenance of community infrastructure facilities through the

maintenance units of the Pradeshiya Sabha under the budget proposals relevant to the year 2014.

Although it had been informed according to paragraph 3 of this circular, that new projects should not be identified under any circumstance and this money should be utilized for only repairs and maintenance of existing infrastructure facilities, contrary to that, a sum of Rs.1,120,900 had been paid on 26 February 2015 to purchase 11 lap top computers for 11 Members of the Sabha.

### **3.2 Operating inefficiencies**

Following observations are made.

(a) Dishonored Cheques

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

(b) Staff Security Deposits

The Cashier had not furnished security in terms of Rules 180 and 182 of the Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988, even up to 11 September 2015, date of audit.

(c) Staff Loans

Recovery of a loan balance of Rs. 104,566 due to be recovered from 28 employees who had left on transfers / retired after serving the Sabha, was in arrears since a period prior to the year 2012.

(d) Disposal of Un-serviceable Vehicles

Action had been initiated for disposal of 03 un-serviceable vehicles belong to the Sabha on 01 October 2013. Although nearly a period of 02 years had elapsed as at 11 September 2015, date of audit, the Sabha had failed to finalize disposal works.

(e) Program for Providing Machinery and Equipment

The Secretary to the Sabha had informed on 14 March 2014 that 06 vehicles are required for the Pradeshiya Sabha in response to a letter sent by the Commissioner of Local Government on 10 March 2014 with regard to the vehicles required under the scheme for improving infrastructure facilities in the Local Government Institutions.

Following matters are observed.

- (i) A Vehicle not required had been provided through providing a Motor Grader which can't be run in the roads belong to the Sabha in place of the Bako Machine applied by the Sabha.
- (ii) A Crew Vehicle not requested by the Sabha had been provided.
- (iii) Registration Certificates for the Motor Grader, the Crew Cab Vehicle and the Dump Truck Vehicle provided to the Sabha had not been received up to 11 September 2015.

**3.3 Contracts Administration**

Hapugala Sri Dharmaratne Avenue

Agreements had been signed on 30 December 2013 having prepared estimates for Rs. 499,464 on 26 July 2013 for spreading Concrete Block Stones to a distance of 60 meters and to complete the work within 03 months. While the measurement sheet and the a bill for Rs. 497,865 had been submitted on 06 March 2014 after completing work, a sum of Rs. 448,078 had been paid. Retention money amounting to Rs. 49,787 had not been paid up to 11 September 2015. At the physical inspection carried out at the site on 11 September 2015, it was observed that Block Stones had got loosened and disappeared, road had got sunk and a pit had appeared.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

It was observed that the budget had not been made use of as an effective tool of management as there were material variances between the budget and the actual revenue and expenditure.

**5. Systems and Controls**

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

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