

Bope-Poddala Pradeshiya Sabha

Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review and the preceding year had been presented to audit on 31 March 2016 and 31 March 2015 respectively. The report of the Auditor General for the year under review had been sent to the Secretary of the Sabha on 27 July 2016.

1.2 Qualified Opinion

In my Opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial Statements give a true and fair view of the financial position of the Bope-Poddala pradeshiya Sabha as at 31 December 2015 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

The following accounting deficiencies are made.

- (a) Returned money totaling Rs. 1,321,259 relating to 6 items of expenditure accounts had been credited to the Accumulated Fund without being credited to the respective accounts.
- (b) Stamp fees of Rs. 203,400 and interest on Treasury bills amounting to Rs. 42,651 receivable for the year under review had been under stated in the financial statements.
- (c) Fixed assets valued at Rs. 404,180 purchased in the year under review and the discount of Rs. 70,946 received in purchasing Library books had been omitted from the financial statements.
- (d) The value of water bourse received as a donation in the year under review and the employees security investment of Rs. 97,875 and the interest thereon amounting Rs. 2,263 had not been brought to accounts.
- (e) Six creditor's balances totaling Rs. 347,143 and another three creditors balances totaling Rs.71,365 in the year under review had been overstated and understated respectively in the financial statements.
- (f) Capital grants of Rs. 1,630,964 payable for 6 works carried out during the year under review and a sum of Rs. 500,000 payable for garbage management had not been brought to accounts.

1.3.2 **Unreconciled Control Accounts**

Differences totaling Rs. 3,849,047 between the balances of 08 items of accounts totaling Rs. 52,164,158 shown in the financial statements and the relevant subsidiary books and records were observed.

1.3.3 **Suspense Accounts**

Action had not been taken to identify the credit balance of the suspense account amounting to Rs. 761,993 and to adjust and settle even in the year under review.

1.3.4 **Accounts Receivable and payable**

The following matters are observed

- (i) Action had been taken to reimburse the court fines of Rs. 511,577 brought forward, stamp fees of Rs. 51,325,338 and arrears of street light grants totaling Rs. 858,816 even in the year under review.
- (ii) Action had not been taken to settle balances of 4 accounts receivable totaling Rs. 22,966 brought forward, the balance of Rs. 470,962 in the advance account and the debtor balances totaling Rs. 44,504,800 as at the end of the year under review.
- (iii) Action had not been taken to settle the balance of government grants account totaling Rs. 22,250,626 and the balance of Rs. 4,257,062 in the other creditors account as at the end of the year under review.

1.3.5 **Lack of Evidence for Audit**

Due to non – rendition of updated register of fixed assets prepared in terms of classes of assets in respect of fixed assets and related schedules totaling Rs. 63,310,649, title deeds and the documents to establish the ownership of land and buildings totaling Rs. 52,008,359, debtors and creditors registers, age analysis and confirmation of balances totaling Rs. 137,275,766 in respect of debtors and creditors and the deposit Certificates relating to the fixed deposits totaling Rs. 3,048,654, they could not be satisfactorily verified in audit.

2. **Financial Review**

2.1 **Financial Results**

According to the financial Statements presented to audit, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs. 29,119,840 as compared with the revenue over recurrent expenditure for the preceding year amounted to Rs. 9,437,038. As compared with the preceding year an improvement of Rs. 19,682,802 had indicated in the financial results.

2.2. **Analytical Financial Review**

The following observations are made

- (a) A sum of Rs. 11,890,057 had been spent for the payment of salaries and allowances of the employees recruited by the Pradeshiya Sabha.
- (b) As an increase of recurrent expenditure over self-operating revenue during the year under review and the preceding 2 years, the recurrent expenditure of the Sabha could not be covered from the revenue of the Sabha without getting revenue grants.
- (c) Had the attention of the Sabha not been paid to increase the revenue, it is the view of audit that a problematic situation might arise on the going concern of the Sabha due to adverse effect of the financial position.
- (d) Capital expenditure had been incurred in the year under review in excess of the capital revenue by Rs. 21,881,828. Although capital expenditure over capital revenue amounting to Rs. 24,550,000 had been estimated according to the Budget of the year under review the manner in raising funds therefor had not been explained.

2.3 **Revenue Administration**

2.3.1 **Performance of Collection of Revenue**

Out of the arrears of revenue from rates, lease rent and Trade Licenses as at the beginning of the year under review totaling Rs. 27,778,661, a sum of Rs. 7,088,308 had been recovered. Accordingly, the progress of recovery of arrears had been about 26 per cent.

2.3.2 **Rates**

The following observations are made

- (a) Outstanding amount of Rs. 25,423,626 existed as at the beginning of the year had increased by Rs. 2,564,322 by the end of the year. Action had not been taken to recover the arrears of rates in terms of section 158(i)(a) of the Pradeshiya Sabha Act No. 15 of 1987.
- (b) Action had not been taken to increase the revenue of the Sabha by strengthening the assessment areas having being conducted a survey on developed properties.

2.3.3 **Lease Rental**

The following observations are made

- (a) Action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken recover the lease rental of Rs. 2,148,227 recoverable relating to the year under review and the preceding years.

- (b) Rent amounting to Rs. 306,434 and a fine of Rs. 51,059 were receivable from 59 trade stalls.

2.3.4 **License fees**

Action in terms of section 152 (4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the Licence fee of Rs. 128,748 receivable for the year under review and the preceding years.

2.3.5 **Court Fines and Stamp Fees**

Sums of Rs. 51,325,338 and Rs. 511,577 were due in respect of stamp fees and court fines respectively as at 31 December 2015 from Chief Secretary of the Provincial council and other authorities

3. **Operating Review**

3.1 **Management Inefficiencies**

The following observations are made

- (a) Action had not been taken to settle the dishonored cheques valued at Rs. 20,339 borough forward even in the year under review.
- (b) The attention of the Sabha had not been paid to regularize 29 excess posts existed as at the end of the year under review.
- (c) Steps had not been taken to recover the loan balances of Rs. 805,348 recoverable from 38 officers who had gone on transfer retired and deceased after being served in the Sabha.

3.2 **Operating Inefficiencies**

The following matters were observed.

- (a) A sum of Rs. 1,153,371 had been retained in the Sabha as at 31 December 2015 as cash in hand without being banked. Action in terms of Financial Regulations 177(1) and 177 (3) had not been taken in respect of daily collection of cash in Head Office and sub officers and banking of daily collections respectively.
- (b) As a sum totaling Rs. 1,200,000 had been invested in 7 days call deposits as at 31 December 2015 so that it could be hurriedly encased a high interest income on investments to be earned by the Sabha had been deprived of.

3.3 **Solid Waste Management**

As the garbage accumulated daily had been handed over to the Monaravia watta recycling Centre of the Rajgama Pradeshiya Sabha area, according to the committee Decision dated 09 September 2013 without being graded, a monthly fee of Rs. 100,000 had to be paid.

4. **Good Governance and Accountability**

4.1 **Budgetary Control**

Due to the existence of savings of the entire provision of Rs. 500,000 in an expenditure object included in the budget for the year under review and the savings totaling Rs. 21,843,603 of another 6 expenditure objects, expenditure totaling Rs. 72,619,991 in 3 expenditure objects incurred in excess of approved Limits and the targeted revenue of Rs. 18,662,907 in 6 revenue items which had not been reached, the budget had not been made use of as an effective instrument of financial Management.

4.2 **Internal Audit**

A sufficient internal audit had not been carried out in terms of circular No. දළපා/යහ/01/නවමේ of the Commissioner of Local Government (Southern Province) dated 24 February 2014. However a sum of Rs. 568,144 had been paid as salaries and allowances in the year under review to the Internal Audit Officers appointed by the Sabha.

4.3 **Audit and Management committee**

Action had not been taken to establish audit and management committee in terms of Management Audit circular No. DMA/2009(i) dated 09 June 2009 even in the year under review.

4.4 **Assets Management**

The following matters were observed

(a) **Idle assets**

Action had not been taken to dispose or to repair and reuse 3 motor vehicles being decayed in the premises of the Sabha even up to 29 April 2016, in terms of public Finance Circular No 02/2015 dated 10 July 2015

(b) **Unacquired assets**

Action had not been taken to transfer the ownership of 5 motor vehicles used by the Sabha even by 29 April 2016.

5. **Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Motor Vehicles Control
- (f) Human Resources Management