

**Bope Pddala Pradeshiya Sabha
Galle District**

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 28 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 31 August 2018.

1.2 Qualified Openion

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 2017 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 Accounting Deficiencies

The following deficiencies were observed.

- (a) Value of 2000 litre capacity two water tanks received by the Sabha as a donation during the year had neither been assessed nor brought to account.
- (b) At correcting the defect of non-accounting of employees security deposits of Rs.133,187 of the preceding year, Cumulated Fund Account had been debited instead of debiting Employees Security Investment Account.
- (c) Instead of debiting employees security of Rs.160,687 as at 31 December of the year under review to employee security investment account, cumulated fund had been debited.
- (d) Contributions of Rs.3,072,858 as at 31 December of the year under review payable to Local Government Pansion Fund had been brought to account as creditors.

1.3.2 Unreconciled Accounts

Variances were observed between balance applicable to 06 Account captions totalled at Rs.Rs.275,926,389 shown in Financial Statements and balance shown in related documents leading to a total variance of Rs.1,550,633.

1.3.3 Suspense Account

Action had not been taken to identify or settle credit balance of suspense account of Rs.761,993 that had been not settled since 2013.

1.3.4 Account Receivable and Payable

Account Receivable

- (i) Action had not been taken even during the year under review to settle 04 account balances, total value of which amounted to Rs.39,493,245 being brought forward over a number of preceding years.
- (ii) Action had not been taken to recover capital aids amounted to Rs.10,133,353 receivable as at the final date of the year under review.

1.3.5 Lack of evidence for audit

Evidence were not submitted for audit regarding a sum of Rs.168,364 debited to account with regard to making the balance of Advance Account at the end of the year under review as debit balance of Rs.105,764.

1.3.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions	Non Compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) FR 570 & 571(1)(2)	Action had not been taken with regard to 237 expired deposit balance totalled at Rs..8,506,976.
(ii) FR 1645 & 1646	Daily running charts and monthly summaries of vehicles owned by the Sabha had not been submitted for audit.

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| (b) | Paragraph 3.1 of the Public Administration Circular No. 30/2016 29 Dec. 2016 | Fuel burning of the Sabha vehicles had not been tested. |
| (c) | Paragraph 05 of Circular No. දපපා/පපාකො /2010/01 dated 27 Dec. 2010 of Local Government Commissioner, Southern Province. | Although every lease agreement relating to stalls shall have to be updated once in three years, they had not been updated after 2014. |

2. Financial Review

2.1 Financial Results

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.31,757,820 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.66,337,870.

2.2 Financial Control

Attention of the Sabha had not been paid on earning an income by investing Rs.4,061,219 being total average monthly balance available in 03 bank current accounts of the Sabha.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears of the year under review and the preceding year are as follows;

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in Arrears as at 31 Decem.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in Arrears as at 31 Decemb.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates&taxes	15,300,000	11,753,478	11,582,072	36,484,857	13,900,000	12,198,708	11,008,920	31,745,966
Lease Rent	3,892,000	4,972,324	5,331,561	2,790,757	3,797,000	4,929,523	4,936,653	1,898,897
Licence Fees	502,000	576,800	718,276	4,750	452,000	325,177	529,385	71,548
Other Revenue	30,871,000	29,554,129	15,553,622	28,886,360	32,281,000	55,647,800	16,850,857	14,885,853
	50,565,000	46,856,731	33,185,531	68,166,724	50,430,000	73,101,208	33,325,815	48,602,264

2.3.2 Rates and Taxes

Of the total rates and taxes of Rs.43,499,444 recoverable for the year under review and preceding years minimum value of 27 percent had been recovered during the year. Accordingly arrears of revenue existed at the beginning of the year had been increased by Rs.4,738,891 by the end of the year. However action had not been taken to recover rates and taxes as per Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.3 Stall Rent

Of the revenue of Rs.6,871,221 recoverable as stall rent for the year under review and preceding years, only 78 percent had been recovered and no action had been taken even during the year under review to recover arrears in stall rent as per Section159(1) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.4 Other Revenue

Of the lease rent and fines of Rs.44,439,982 recoverable for the year under review and preceding year, only Rs.15,553,622 had been recovered leaving out a recoverable balance of Rs.28,886,360 at the end of the year.

2.3.5 Court Fines and Stamp Fees

Rs. 123,364,461 and Rs. 1,524,168 had been recoverable as stamp fee and court fines respectively as at 31 December 2017 from the Chief Secretary and other authorities of the Provincial Council.

3. Operating Review

3.1 Performance

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradelshiya Sabha Act are as follows:

(a) Action Plan

Annual action plan had not prepared in respect of activities to be performed by the Sabha in terms of by-laws enacted.

(b) Sustainable Development Targets

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

3.2 Human Resource Management

- (a) Action had neither been taken to make recruitments to fill 18 vacant posts nor to regularize 28 excess post..
- (b) A sum of Rs.4,997,624 had been paid from the Sabha Fund as salaries and allowance during the year under review to employees recruited on casual, temporary, substitute and contract basis.
- (c) Duties of management service had been assigned to 05 labourers belonged to primalry segment of the Sabha while duties had not been assigned in a formal way to employees in secondalry and primary grades.
- (d) Actlion had not been taken even during the year under review to recdover loan balance in arrears amounted to Rs.521,549 remaining over a period of 10 years recoverable from 24 employees served the sabha.
- (e) Action had not been taken to reimburse the sum of Rs.537,393 paid as salaries & allowances to female Community Development Officer for 2017 from the Local Government Commissioner's Office until 31.12.2017.

3.3 Operating Inefficiencies

The following inefficiencies were observed.

- (a) Eleven stalls in public market, Kalegana had been remaining closed for 17 years since 2000 due to non repairing and action had not been taken to repair and lease out them.
- (b) Agreements in respect of all stalls had not been renewed after 2014. Therefore action had not been taken to recover arrears of Rs.163,750 and fines of Rs.15,925.

3.4 Assets Management

3.4.1 Idle and Under Utilized Assets

Two tractors and one water bowser owned by the Sabha worth Rs.692,315 remained idle over a period of 12 years.

3.4.2 Utilization of Vehicles

Running charts for 4620 km after 28 April 2017 in respect of the Three Wheeler of the Sabha had not been submitted for audit.

4. Accountability and Good Governance

4.1 Budgetary Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism

- (a) Savings of 07 expenditure captions totalled at Rs.25,291,282 were shown, value of which ranged between 10 percent to 86 percent.
- (b) Expenditure of Rs.1,000,659 had been made exceeding the limits of estimated provisions of 02 expenditure captions, the value of which ranged between 207 percent to 971 percent.
- (c) Adverse variance of 04 revenue captions totalled at Rs.5,419,989, value of which ranged between 0.24 percent to 27 percent.

4.2 Implementation of Audit and Audit Management Committees.

Action had not been taken even at the end of the year under review to establish Audit and Management Committees in terms of the provisions of the Audit Management Committee Circular No.DMA/2009 (1) dated 09 June 2009.

5. Systems and Controls

Shortcomings observed at auditing were submitted to the attention of the Sabha and special attention shall be paid to the below described fields of systems and controls.

System		Deffect
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(a) Accounting and maintaining documents	(i)	Non settlement of balances being brought forward since predecing years.
	(ii)	Advance Register had not been updated.
	(iii)	Non settlement of account balance of Suspense Account being brought forward over a number of years.
(b) Fixed Assets	(i)	Value of assets built or buildings developed had not been brought to account.
	(ii)	Non taking action to dispose of unusable vehicles.
(c) Collection of Revenue	(i)	Non implementation of formal arrangement to recover revenue in arrears.
	(ii)	Non preperation of time analysis on revenue in arrears.
	(iii)	Taking no action to recover lease rent from meat stalls.
(d) Staff Management	(i)	Action had not been taken to regularize excess staff or to fill vacancies.
	(ii)	Non taking action to recover staff loan balances being brought forward since 2007.
(e) Budgetary Control	(i)	Non achievement of estimated targets.
	(ii)	Action had neither been taken to follow up budget nor to amend the same.