

**Bope Poddala Pradeshiya Sabha  
Galle Distract**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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While Financial Statements for the year 2018 had been presented to audit on 25 March 2019, the summary report of the Auditor General relating to those financial statements on 31 May 2019 and detailed management report on 14 June 2019 were sent to the Chairman of the Sabha.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report, the financial statements give a true and fair view of the financial position of the Bope Poddala Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for the qualified opinion**

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**(a) Accounting Deficiencies.**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) Creditors Provision had not been made for contributions amounting to Rs. 2,571,438 payable to the Local Government Pension Fund as at 1 December of the year under review.	Should be correctly accounted.	Will be corrected when preparing accounts for the Year 2018.  Amount spent only was accounted.
(ii) Discount received amounting to Rs. 73,768 in the purchase of library books during the year under review had not been accounted.	Should be correctly accounted.	Will be accounted after getting confirmed the amount of discount.

**(b) Non-reconciled Accounts**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
A difference of Rs.5,133,667 was observed between the balances relevant to 06 items of accounts shown in the financial statements and the balances shown in the schedules relevant to those.	Action should be taken to reconcile differences in the relevant balances and make corrections.	It is a discrepancy existing since a long period. Action will be taken to correct in due course.

**(c) Suspense Account**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Action had not been taken during the year under review as we to identify and make relevant adjustments a to settle debit balance amounting to Rs. 761,993 existing since the year 2013	Action should be taken to settle the account balance.	Action will be taken to correct in due course.

**d) Accounts Receivable and Payable**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<b>(i) Accounts Receivable</b> ----- Necessary action had not been taken as well during the year under review to recover 04 items of accounts amounting to Rs. 881,780 remaining unrecovered during a period from 06 to 09 years.	Action should be taken to get settled the Balances Receivable.	Action will be taken to correct in due course.

- (ii) While the beef stall at Maha Hapugala had been kept closed since the year 2002, License Fee Receivable for that amounted to Rs. 979,477. Action should be taken to get settled the Balances Receivable. Action will be taken to correct in due course.

#### 1.4 Non-compliances

##### ----- Non-compliance with Laws, Rules, Regulations and Management Decisions. -----

	<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a)	Pradeshia Sabha (Financial and Administrative) Rules 1988.		A survey had not been made with regard to industries in the area of authority of the Sabha and a list of industries had not been prepared.	Rules should be complied with.	Action will be taken to correct in due course.
	(i) Rule 59				
	(ii) Rule 143		Refundable Deposits Ledger had not been balanced monthly and had not been adjusted with the balance in the Main Ledger.	Rules should be complied with.	Action will be taken to correct in due course.
(b)	Circular No. SLG/CLG/2010/01 Dated 27 December 2010. Paragraph 05		Although all agreements connected with lease of stalls should be updated once in three years, 17 stalls in Kalegana fair had not been updated after the year 2013.	Circulars should be complied with.	Action will be taken to correct in due course.

## **2. Financial Review**

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### **2.1 Financial Results.**

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According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 36,291,212 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 31,757,820.

### **2.2 Revenue Administration**

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#### **2.2.1 Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue**

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Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	13,969,000	13,678,198	10,659,167	41,858,398	15,300,000	14,078,528	11,582,072	36,473,743
Rent	4,987,000	5,099,370	4,936,452	2,890,264	3,800,000	4,972,324	5,171,061	2,731,867
License Fees	335,100	537,888	519,951	24,225	402,000	592,276	630,276	4,750
Others Income (Fees)	7,282,000	6,838,194	6,821,475	63,305	8,203,000	5,230,300	5,160,196	58,890
	<u>26,573,100</u>	<u>26,153,650</u>	<u>22,937,045</u>	<u>44,836,192</u>	<u>27,705,000</u>	<u>24,778,628</u>	<u>22,543,605</u>	<u>39,269,250</u>

### 2.2.2 Performance in Revenue Collection

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
While the estimated revenue of the year under review was Rs.26,573,100, revenue billed for the year amounted to Rs.26,153,650. Although overall revenue to be collected during the year amounts to Rs. 65,422,900, revenue collected had been 22,937,045. Percentage of revenue collection had been 35 percent.	Arrears of Revenue should be recovered soon.	Action will be taken to expedite recovery of revenue as budgeted in the future.

### 2.2.3 Rates and Taxes

#### Rates

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Percentage of revenue recovery had been 18 peracent and therefore the progress in the recovery of revenue had been at a very weak level. This was due to failure in seizing the property for receiving the taxes..	Arrears of Revenue should be recovered soon.	Action will be taken to expedite recovery of revenue as budgeted in the future.

### 2.2.4 Rent

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although the overall lease rent revenue to be recovered during the year under review amounted to Rs.7,831,237, revenue collected was Rs. 4,936,452. Accordingly, percentage of lease rent recovery was 63 percent.	Arrears of Revenue should be recovered soon.	Action will be taken to recover in due course.

## 2.2.5 Court Fines and Stamp Fees

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Court Fines amounting to Rs. 1,174,283 and Stamp Fees amounting to Rs. 167,885,277 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2018.	Arrears of revenue should be recovered soon.	Chief Secretary was infomed in writing.

## 3. Operating Review

### 3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

#### (a) Action Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
An Action Plan had not been prepared for activities to be fulfilled by the Sabha according to the by-laws imposed.	An Annual Action Plan should be made prepared.	Action will be taken to prepare an Action Plan in due course.

#### (b) Non-achivement of Expected Output Level

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) Although payments amounting to Rs. 442,378 had been made for development of Kitulampitiya, Egodawatta, Galketiyawatta Road, the stones of the side wall of the culvert constructed in the road had got disassembled and road had been in a dangerous condition.	Works should be properly performed.	Road had got sunk due to time elapsed construction.

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| (ii) | A sum of Rs. 1,973,514 had been paid for development of the drain of the Mount Pleasant Estate Main Road. While there were vertical cracks in 04 places of the road, drainage system was at a level higher than the road level. Due to that, water had got stagnated on the road without a flow. | Works should be properly performed. | It is at a higher level due to thickness of the covering sheets. |
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**(c) Sustainable Development Goals**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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The Sabha had not prepared long term plans for uplifting living standard and health of the people in the area of authority through global indexes for sustainable development objectives and goals in the Agenda for Sustainable Development 2030.

Long term plans for sustainable development should be prepared and peoples' living condition should be uplifted.

A plan will be prepared to uplift the living condition of the people in the area of authority in due course.

**3.2 Human Resources Management**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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(a) There were 07 vacancies of employees relevant to 02 categories and surplus of 07 employees.

Action should be taken to make proper recruitment for vacancies and to regularize the excess posts.

Action will be taken to regularize the posts.

(b) A sum of Rs. 3,360,672 had been paid out of the Sabha fund, as salaries and allowances on behalf of employees recruited on casual, temporary, substitute and contract basis.

Substitute employees should be regularized.

They were recruited and salaries were paid out of Sabha Fund, as the existing laborers are not adequate.



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| <p>(c) Action had not been taken to recover loan balances of Rs. 213,899 remaining unrecovered during a period exceeding 10 years, outstanding from 08 employees who had retired after serving the Sabha, deceased and whose service station is untraceable, and a loan balance of Rs. 100,122 outstanding from an electrician interdicted in the preceding year.</p> | <p>Arrears loan balances should be recovered soon.</p> | <p>Action will be taken to recover from the gurantors in due course.</p> |
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### 3.3 Operating Inefficiencies

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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) Agreements of 32 stalls of the Labuduwa Market Complex leased out during the year 1999 had not been renewed. Due to this, it had not been possible to recover stalls rent amounting to Rs. 269,115 and fines amounting to Rs. 30,260.</p>	<p>Agreements should be udated and arrears of stall rent should be recovered.</p>	<p>Action will be taken to renew agreemnts.</p>
<p>(b) At the physical inspection of the stalls in Kalegana Fair carried out on 20 September of the year under review, it was observed that 11 stalls had been kept closed due to lack of proper maintenance and lack of infrastructure facilities. Action had not been taken to lease out these stalls under new agreement having repaired these stalls, in order increase the lease revenue of the Sabha.</p>	<p>Action should be taken to enter into new agreements.</p>	<p>Action will be taken to cancel the agreements of stall holders who do not pay the rent.</p>
<p>(c) While there were 05 telecommunication towers in the area of authority of the Sabha, a loss of Rs.</p>	<p>Tax should be recovered annually for telecommunication</p>	<p>Legal action will be taken in due course.</p>

15,000 had occurred to the Sabha Fund towers.  
 ; due to non-recovery of charges for  
 these towers as per gazette notification  
 dated 30 December 2016 of the  
 Democratic Socialist Republic of Sri  
 Lanka.

**3.4 Assets Management**  
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**3.4.1 Failing to carryout maintenance and repair works**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>The BackhoeMachine purchased for Rs. 4,050,000 utilizing Local Loans and Development Fund and Sabah Funds had been parked in the Sabha premises without running for more than a period of one year, had been sent for repairs on 18 September of the year under review. Repairs had not been finished even as at 25 Mrch 2019.</p>	<p>Maintenance works should be expedited.</p>	<p>Maintenance works have been completed at present.</p>

**3.4.2 Assets not vested**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>Ownership of the water brouser and the compactor provided by the Local Government Department and the tractor provided by the Chief Ministry had not been vested in the Sabha.</p>	<p>Action should be taken to vest the ownership to the Sabha.</p>	<p>Vesting works will be done in due course.</p>

### 3.5 Procurement

#### 3.5.1 Procurement Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Pradeshia Sabha had not prepared a procurement plan for the year under review.	A procurement plan should be prepared.	A procurement plan will be prepared in due course.

#### 3.5.2 Supplies and Services

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Twenty five office chairs had been purchased having spent a sum of Rs.279,000 without identifying the necessity and without following the procurement procedure	When calling for quotations according to the government procurement procedure, correct details of specifications should be furnished.	Purchasing was done after analyzing matters such as comparison of quotations, supply after palcing orders etc. by the evaluation committee.

### 4. Accountability and Good Governance

#### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) 100 Percent of the Estimated provision amounting to Rs. 360,000 made for an item of expenditure had been saved.	Realistic estimates should be prepared.	Action will be taken in this regard in the ensuing year.
(b) While there were savings totaling to Rs. 30,192,729 of 04 items of expenditure those values were in a range from 30 percent to 63 percent.	Realistic estimates should be prepared.	Action will be taken in this regard in the ensuing year.

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| (c) | Expenditure amounting to Rs. 257,708 or 525 percent exceeding the estimated limits of provision for an item of expenditure had been incurred. | Realistic estimates should be prepared. | Action will be taken in this regard in the ensuing year. |
| (d) | An adverse variance in one revenue item was Rs. 1,277,419 or 55 percent.  | Realistic estimates should be prepared. | Action will be taken in this regard in the ensuing year. |

## 4.2 Internal Audit

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### Audit Observation

### Recommendation

### Comments of the Accounting Officer

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Although an internal audit officer had been appointed in terms of provisions in financial regulations 133 and 134 of the Republic of Sri Lanka and circular No. Slg/GO/01/N.C.L dated 24 February 2014 of the Commissioner of Local Government (Southern Province), Auditor General had not been consulted in preparing the internal audit progame while an adequate internal audit had not been carried out and copies of reports had not been submitted to audit.

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Finncial regulations and circulrs should be complied with.

Action will be taken to carry out an internal audit and send the reports in due course.