

**Badalkumbura Pradeshiya Sabha**  
**Monaragala District**

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 10 June 2015 while Financial Statements relating to the preceding year had been submitted on 06 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 22 July 2015.

1.2 **Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Badalkumbura Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

Following matters are observed.

- (a) Value of 08 buildings, 02 motor vehicles and carts, 310 library books, computers and accessories belong to the Sabha had not been accounted.
  
- (b) The Hand Tractor valued at Rs. 119,000 accounted under Motor Vehicles and Carts during the year under review was not produced at the physical examination carried out in audit on 25 June 2015.

1.3.2 **Non-reconciled Control Accounts**

While total of balances relevant to 11 items of accounts according to financial statements was Rs. 37,432,035, balance according to the registers and schedules had been Rs.9,512,255.

### 1.3.3 **Accounts Receivable and Payable**

- (a) Action had not been taken during the year under review to identify and clear Accounts Receivable and Pre-payment Balances amounting to Rs.47,861 and Rs.83,719 respectively, which were being brought continuously.
- (b) Although the Local Government Pension Contributions and Audit Fees payable at the end of the year under review were Rs.374,812 and Rs.289,759 respectively, action had not been taken to settle those even during the year under review.

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

Four items of Assets, liability item, revenue item and expenditure item totaling Rs.11,612,954 could not be satisfactorily vouched in audit due to non-submission of required Information to Audit.

### 1.3.5 **Non – compliance with Laws, Rules, Regulations etc.**

The non-compliances with the provisions of the following laws, rules and regulations were observed in audit.

Reference to Laws , Rules and Regulations

Non – compliance

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(a) **Pradeshieya Sabha Act No.15 of 1987**

(i) Section 19 1 (i)

Although an allowance of Rs. 63,000 had been paid out of the Sabha Fund having recruited 02 Trained Computer Officers during the year under review, prior written approval of the Commissioner of Local Government had not been obtained.

- (ii) Section 132 (k) and (l) An expenditure amounting to Rs.19,000 had been incurred without obtaining the approval of the Minister.
- (iii) Sections 158 and 159 Arrears of Revenue amounting to Rs. 25,782,175 had not been recovered as at end of the year under review.

## 2. **Financial and Operating Review**

### 2.1 **Financial Results**

According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs. 3,043,204 as compared with the corresponding excess of recurrent expenditure over revenue as at 31 December of the preceding year amounted to Rs. 154,709. Accordingly, the net decrease in the financial result was Rs. 2,888,495.

### 2.2 **Analytical Financial Review**

While a decrease of Rs. 2,888,495 was observed in the financial result for the year under review when compared with the preceding year, an analysis with regard to that is shown below.

<u>Recurrent Revenue</u>	<u>2014</u>	<u>2013</u>	<u>Variance</u>
	Rs.	Rs.	Rs.
Rates and Taxes	1,627,548	760,286	867,262
Rent Income	2,138,410	2,258,762	(120,352)
License fees	130,024	942,615	(812,591)
Fees for Services	739,216	379,825	359,391
Fines and Warrant Charges	1,031,822	1,624,794	(592,972)
Other Revenue	697,861	134,410	563,451
Revenue Grants	14,914,269	11,709,900	3,204,369
			3,468,558
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### Recurrent Expenditure

Salaries and Allowances	17,697,302	14,120,789	(3,576,513)	
Travelling Expenses	410,260	280,145	(130,115)	
Supplies and Equipment	984,469	1,283,775	299,306	
Capital Assets	1,856,061	471,233	(1,384,828)	
Repairs and Maintenance				
Transport and Communication	3,198,239	1,628,603	(1,569,636)	
Services				
Interest Payments	--	7,500	7,500	
Grants, Contributions and Subsidies	25,000	23,398	(1,602)	
Pensions, Pension Benefits and				
Gratuities	151,023	149,858	(1,165)	( 6,357,053)
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Decrease in the Financial Result				<b>2,888,495</b>
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## 2.3 Revenue Administration

### 2.3.1 Rates

Action had not been taken to assess Rates after the year 2006 in terms of Section 140 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

### 2.3.2 Lease Rent

(a) Action had not been taken up to now, to lease out 16 trade stalls in the Badalkumbura Market Complex constructed during the year 2008 on the basis of the provisions of the Regional Development Ministry.

(b) Action had not been taken to lease out the Beef Stall No. 04 situated in the Badalkumbura Town during the year 2012. A Trade License for Rs.3,300 had been issued for carrying on a Frozen Beef stall to the lessee who leased out that property during the year 2011 for a sum of Rs. 1,360,500. Due to that a revenue of

Rs. 1,496,550 (as tendered amount of Rs. 1,360,500 and 10 per cent increase of Rs. 136,050) had been lost to the Sabha.

- (c) Action had not been taken to lease out the Beef Stall No. 09 and the right to sell beef in the Alupotha Town during the year under review.

### 2.3.3 **Transmission Towers Revenue**

The arrears sum of money outstanding as at the end of the year under review from the 07 Transmission Towers constructed during the period from year 2006 to year 2010 was Rs. 8,000.

### 2.3.4 **Court Fines and Stamp Fees**

Court Fines and Stamp Fees due from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review was Rs. 963,051. Details are shown below.

	Rs.
Court Fines	140,461
Stamp Fees	822,590

## 3. **Operating Review**

### 3.1 **Operating Inefficiencies**

- 3.1.1 Although a sum of Rs. 98,412 had been spent for using 819 liters of fuel for the tractor bearing No. RD-4629 during the year under review, relevant running charts were not submitted. While fuel orders had been obtained by 03 drivers for running this tractor, a sum of Rs. 944,804 had been paid as gross salary, overtime and holiday pay to them during the year under review.

3.1.2 While 09 employees recruited during the year 2010,2011 and 2013 on casual and substitute basis for the posts of drivers, librarians, field laborers and sanitary laborers had been made permanent on 24 October of the year under review, they were not included in the approved cadre. A sum of Rs. 1,162,815 had been paid to them as Gross Salary, Employees Provident Fund and Employees Trust Fund.

3.1.3 Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of paying fees, in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, a sum of Rs. 488,955 had been incurred out of the Sabha Fund without taking action accordingly. Action had not been taken with regard to the method of fixing, type of lamp to be fixed and number of lamps etc., in terms of this letter.

### 3.2 **Contracts Administration**

Although a sum of Rs. 6,202,844 had been paid to 09 contracting societies for extension of water supply on 09 roads on the basis of provisions of the Isolated Villages Programme during the year under review, water supply had not been made even up to July 2015, at the time of audit. A sum of Rs.359,832 had been over paid for 4 water pipe lines at a rate of Rs. 1,047, exceeding approved rate of Rs. 931 per one meter length and in size of 2 inches (63 mille meters).

## 4. **Systems and Control**

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration