

Badulla Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 25 June 2015.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the financial position of the Badulla Pradeshiya Sabah as at 31 December 2014 and financial results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Value of ten mobile booths of 10 X 10 feet amounting 265,000 provided to the Sabha under the provisions of the Ministry of Local Government and Provincial Councils had been accounted as Rs.120,000. Due to that, value of Fixed Assets as at 31 December of the year under review and the balance of the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs.145,000 in the financial statements.
- (b.) Provision for Creditors had not been made for a sum of Rs. 11,750 payable as at 31 December of the year under review in respect of the Muthumala Temple Road Construction Work for earth cutting. Due to that, deficit for the year under review and the value of Creditors as at 31December 2014 had been understated at the rate of Rs. 11,750 in the financial statements.

- (c.) A sum of Rs.19,160 payable in respect of the year under review and a sum of Rs.32,002 payable for the preceding year as contributions to the Local Government Service Pension Fund had not been accounted. Due to that, deficit for the year under review had been understated in a sum of Rs. 19,160 while the balance of the Accumulated Fund had been overstated in a sum of Rs.51,182 and value of Creditors had been understated in a sum of Rs.51,182 as at 31 December 2014 in the financial statements.
- (d.) Provisions for Creditors had not been made in respect of Audit Fees relevant to the year under review.

1.3.2 Accounts Receivable and Payable

According to the financial statements submitted, the value of Accounts Receivable balances as at 31 December of the year under review was Rs. 10,994,391 and the value of Accounts Payable balances had been Rs. 6,267,807.

1.3.4 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with laws, rules and regulations observed in audit are shown below.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Financial Regulations of the Socialist Republic of Sri Lanka ----- Financial Regulations 137-139	- Two cheques valued at Rs. 79,385 prepared for purchase of material in two instances before making the purchases had been kept in hand even as at 10 April 2015.

- (b.) Clause 1.6 and 4 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka - Staff Loans amounting to Rs. 11,876 to be recovered from 07 employees who were in service of the Sabha and left on transfers, Retired, vacated post, and information not furnished to audit had not been recovered.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs.2,062,334 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.741,348, showing a favorable variance of Rs.1,320,986.

2.2 Revenue Administration

2.2.1 Performance of Collection of Revenue

Progress in recovery of Rates and Acreage Tax in Arrears as at 01 January 2014 was in a weak level such as 32.1 per cent and 8.2 per cent respectively.

2.2.2 Other Revenue

Action had not been taken to recover charges in respect of communication towers in the area of authority of the Sabha.

2.2.3 Court Fines and Stamp Fees

Court Fines and Stamp fees amounting to Rs. 5,704,344 were due to be received from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Management Inefficiencies

- (a.) According to the provisions in the Special Gazette Notification for transferring Udawela Water Supply Scheme maintained by the Sabha to the National Water Supply and Drainage Board, arrears sum of Rs.562,589 due from the consumers to the Sabha should be transferred to the National Water Supply and Drainage Board and recover it from that institution to the Sabha. It had not been so recovered and had been shown under revenue arrears of the Sabha.

- (b.) Action had not been taken through a formal survey for proper identification of activities in operation of the area of authority of the Sabha which should obtain Environmental Licenses in term of Section 23 “a” of the National Environment Act No.47 of 1980 as amended by Act No.56 of 1988 and Act No. 53 of 2000.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Stores Control