

Badulla Pradeshiya Sabah

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 24 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 08 July 2016.

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 2015 and financial results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a) Accrued expenses totaling Rs. 46,710 for the year under review had not been accounted.
- (b) Revenue in Arrears amounting to Rs. 42,000 had not been accounted.
- (c) Total of 05 Fixed Assets amounting to Rs. 41,660,573 had been understated in the accounts.
- (d) Creditor balance of the year under review had been overstated in sum of Rs. 1,717,000 in the accounts.

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 amounted to Rs. 118,779,193 while the value of Accounts Payable balances had been Rs. 7,301,922.

1.3.3 Non-compliance with laws, rules, regulations etc.

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

Reference to Laws, Rules and Regulations -----	Non-Compliance -----
(a) Pradeshiya Sabha (Finance and Administrative)	
(i) Rule 180	Security to be furnished amounting to Rs. 37,000 by 10 officers, who are required to furnished security had not furnished.
(ii) Rule 146	Cash collection works had been entrusted to a field laborer.
(iii) Rule 164	An internal control system had not been introduced to ensure a supervision over Computer Software Reports and printed copies established in the Institution.
(iv) Rule 218	Land and Buildings survey works had not been carried out for the year 2015.
(b) Clause 1,6 and 4 in Chapter XXIV of Republic of Sri Lanka the Establishments Code of the	Seven loan balances valued at Rs. 13,326 due from officers who were in service of the Sabha and left on transfers or Retired had not been recovered from them or their guarantors.
(c) Public Finance Circular No.PF/437 dated 18 September 2009	The service of an Insurance Agent had been obtained for 04 vehicles by the Sabha in obtaining insurance cover amounting to Rs. 151,006 .
(d) National Environmental Act No. 47 (e) of 1980 – Clause 23'a'	Action had not been taken to identify the Business Enterprises in operation in the area of authority of the Sabha liable to obtain Environmental Protection Permits.

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 2015 amounted to Rs.3,06,820 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,062,334.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

- (a) While arrears of revenue due to the Pradeshiya Sabha Fund relevant to past years as at 31 December of the year under review was Rs.274,497, out of the estimated revenue for the year under review, 28% of that had been in arrears even as at 31 December of the year under review.
- (b) Action had not been taken to recover charges from three transmission towers erected in the area of authority of the Sabha by enforcing by-laws.

2.2.2 Courts Fines and Stamp Fees

Courts Fines and Stamp Fees receivable as at 31 December 2015 from the Chief Secretary to the Provincial Council and other authorities amounted to Rs. 8,059,104.

3. Operating Review

3.1 Management Inefficiencies

A sum of Rs.562, 002 to be remitted to Local Government Employees Pension Fund had not been remitted up to 31 December of the year under review.

4. Good Governance and Accountability

4.1 Budgetary Control

The Budget had not been made use of as an effective tool of management for revenue and expenditure control during the year under review.

4.2 Annual Procurement Plan

An Annual Procurement Plan had not been implemented during the current year.

4.3 Internal Audit

An internal audit had not been carried out for the year 2015.

4.4 Audit and Management Committee

Audit and Management Committees had not been implemented during the year under review.

5. Systems and Controls

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Contracts Control
- (e) Stock Control.