

Badalkumbura Pradeshiya Sabha

Moneragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 10 June 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 23 June 2016.

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 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Although the value of Lands and Buildings belong to the Sabha, had been shown as Rs. 70,500,000 in the accounts at the end of the year under review, those had not been assessed by a qualified member of assessment profession.
- (b) Advances granted during the past years amounting to Rs. 466,816 for various works by the Sabha had been written-off to the Accumulated Fund without proper approval.
- (c) Although the Work Creditors balance at the beginning of the year under review was Rs. 1, 711,134, it had been accounted as Rs. 3,032,497 overstating the Creditors balance n a sum of Rs. 1,321,364.
- (d) Provision had not been made under Creditors for Sundry Expenses amounting to Rs. 515,517 payable for the year under review.

1.3.2 Non-reconciled Control Accounts

While total of balances relevant to 09 items of accounts according to financial statements was Rs.40,896,959 balance according to the subsidiary registers balance had been Rs.6,856,061.

1.3.3 Accounts Payable

Action had not been taken during the year under review as well, to settle Local Government Pension Contributions payable amounting to Rs. 305,674 at the end of the year under review.

1.3.4 Lack of Evidence for Audit

Four items of assets totaling Rs. 272,004,361 and three items of liabilities totaling Rs. 37,936,331 could not be satisfactorily vouched in audit due to non-submission of required Information to Audit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year under review ended 31 December amounted to Rs.7,457,360 as against the excess of recurrent expenditure over revenue for the preceding amounted to Rs. 3,043,204. Accordingly the net increase in the financial results had been Rs. 10,500,564.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue at the end of the year under review totaling Rs. 8,574,747 had not been recovered in terms of provisions in sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987

2.2.2 Rates

(a) Out of Revenue in arrears amounting to Rs. 729,791 at the beginning of the year under review, a low percentage such as 29 per cent had been recovered during the year under review.

(b) Out of the value of Revenue billed during the year under review amounting to Rs. 373,693, only a percentage of 51 per cent had been recovered.

- (c) 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.

2.2.3 Court Fines and Stamp Fees

A sum of Rs. 112,253 as Court Fines and a sum of Rs. 1,094,045 as Stamp Fees were due from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

3. Operational Review

3.1 Operational Inefficiencies

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, an expenditure of Rs. 47,412 had been incurred out of the Sabha Fund for this 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

Following matters are observed.

- (a) 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 Program during the year 2014. Although the approved rate for 2 inches (63 mm) meter length was Rs. 931, payment had been made at the rate of Rs.1,047 and therefore a sum of Rs. 359,832 had been over paid for 04 pipe lines.
- (b) While an estimate for materials amounting to Rs. 500,000 had been prepared to perform work on direct labor basis under the Pradeshiya Sabha Strengthening Program, a sum of Rs. 580,765 had been spent for that incurring an expenditure exceeding the estimate in a sum of Rs. 80,765.

4. Good Governance and Accountability

4.1 Budgetary Control

According to material variances reflecting between the estimated revenue and expenditure through the budget prepared for the year under review by the Sabha and the actual revenue and expenditure for the year, the Budget had not been made use of as an effective tool of revenue and expenditure control.

4.2 Annual Procurement Plan

An Annual Procurement Plan had had not been prepared for the year under review by the Sabha.

4.3 Internal Audit

An adequate internal audit had not been carried out through the Internal Audit Unit of the Provincial Council.

4.4 Audit and Management Committee

Action had not been taken to establish Audit and Management Committees in terms of Internal Audit Guidelines Circular No. DMA/2009/(1) dated 9 June 2009 of the Management Audit Department, even up to the year under review.

5. Systems and Controls

Special attention is needed in the following areas of controls.

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