

Balangoda Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 24 March 2016 and the financial statements for the preceding year had been presented on 17 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 31 May 2016.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Balangoda 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

The following accounting deficiencies are observed.

- (a) The value of constructions of the year under review amounted to Rs.2,440,866. This had not been brought to account under non current assets.
- (b) The value of 12 lands belonging to the Sabha included in the register of fixed assets as at 31 December 2015 had not been assessed and brought to account.
- (c) The crematorium constructed by the Sabha and being used since 2013 costing Rs.8,391,146 had not been brought to accounts.
- (d) C.F.L bulbs and plastic chairs valued at Rs.75,350 which had been purchased for distribution and entered in the register of stocks had not been brought to accounts as closing stock.

1.3.2 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken even by end of the year under review to recover the arrears of water charges of Rs.14,440 receivable since 2009.
- (b) Action had not been taken to recover the rent recoverable amounting to Rs.38,200 up to the date of audit of 07 April 2016 with regard to 19 blocks of land of the Pradeshiya Sabha at Yakahela Mookalana area given for occupation.
- (c) The value added tax of Rs.247,767 and the three per cent nation building tax which should be remitted to the Commissioner General of Inland Revenue had not been remitted even by 07 April 2016, the date of audit. Instead, it had been retained in the Miscellaneous Deposits Account.

1.3.3 Lack of Evidence for Audit

Transactions amounting to Rs.1,949,259 could not be satisfactorily vouched in audit due to nonrendition of necessary information.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.,

The following Non-compliances are observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations Code of the Provincial Council of the Sabaragamuwa Province	

(i) Rule 261.2.7

Necessary action had not been taken to settle the sub imprest aggregating Rs.472,884 issued since 1992 up to the date of audit of 07 April 2016.

(ii) Rule 283

Action had not been taken in terms of the said rule with regard to 8 lapsed cheques aggregating Rs.8,999.

(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules

Rule 214

A board of survey had not been appointed to verify stores materials valued at Rs.415,370 as at 31 December 2015.

(c) Guideline 4.2.1.(8) of the National Procurement Guidelines 200

The Pradeshiya Sabha had not taken necessary action to prepare a Main Procurement Programme including the expected procurement activities for a minimum period of 03 years.

(d) Treasury Circular No.1A1/2002/02 of 28 November 2002

Action had not been take include in the register of assets the computers and accessories valued at Rs.532,580 in possession of the Sabha.

(e) Pensions Circular No.07/2015 of 23 July 2015

It was observed that the contributions to Public Service Provident Fund amounting toRs.77,700 of 2 employees of the Sabha had been paid to the Employees' Provident Fund administered by the Central Bank.

(f) Public Administration Circular No.09/2009 of 16 April 2009

Action had not been taken to use a finger print machine to confirm the arrivals and departures of staff comprising 52 persons.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs3,579,926 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting toRs.2,657,594 resulting in an improvement in financial results of the year under review by Rs.922,332.

2.2 Analytical Financial Review

The overall increase in recurrent revenue by Rs.6,322,668 during the year under review as compared with that of the previous year and the decrease in expenditure on travelling and supplies equipment by Rs.2,437,278 had mainly attributed to the improvement in the above financial results.

2.3 Revenue Administration

2.3.1 Rates and Taxes

The arrears of rates and taxes of the previous year amounted to Rs.239,695. Necessary action had not been taken to recover 87 per cent of these balances amounting to Rs.207,789.

2.3.2 Lease Rent

The arrears of balances of acreage tax of the previous year amounted to Rs.31,115. Necessary action had not been taken to recover 83 per cent of this amounting to Rs.25,871 and 44 per cent of the acreage tax of Rs.27,707 amounting to Rs.13,555 budgeted for the year under review.

2.3.3 Stamp Fees

Necessary action had not been taken up to the date of audit of 07 April 2016 to obtain from the Chief Secretary of the Sabaragamuwa Provincial Council the stamp fees of Rs. 5,280,100 receivable from September 2014 to December 2015.

3. Operating Review

3.1 Management Inefficiencies

The following matters are observed.

Necessary action had not been taken to acquire ownership of 06 vehicles and machineries received at the Sabha from 2011 to 2015.

3.2 Contract Administration

The final bills presented to the Sabha on 09 April 2013 by the construction company of the crematorium amounted to Rs.4,194,270. Necessary action had not been taken up to 07 April 2016 to check the bills and make payments.

3.3 Solid Waste Material Management

The Sabha had obtained one acre of land from the Director General of Forest Conservation to construct a solid waste material management centre in a place called Anichchiyawaththa Hena which comes under the Godakumbura Grama Niladhari Division on the basis of paying an annual lease rent of Rs.22,600. However, proper feasibility studies had not been made before

commencing the construction. As such, the preliminary expenses of Rs.74,772 had become fruitless.

3.4 Assets Management

Idle Assets

It was observed that vehicles, machineries and equipment of the Sabha aggregating Rs.14,514,918 had been idling for over one year.

4. Good Governance and Accountability

4.1 Budgetary Control

A comparison of the estimated expenditure with the actual expenditure of the Sabha for the year under review revealed variances of 21 to 69 per cent of the provision for recurrent expenditure and 36 to 87 per cent of the provision for capital expenditure showing that the budget had not been utilized as an efficient instrument of management control

5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Stores Control
- (e) Budgetary Control
- (f) Human Resources Management
- (g) Assets Management