

Uva-Paranagama 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 Audit on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 15 May 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 06 September 2016.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Uva-Paranagama Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed in audit.

- (a) Value of 408 Galvanized Flag Posts amounting to Rs 403,316 provided from the Divi Neguma Development Department to the Sabha during the year 2014 had been understated in a sum of Rs. 255,038 in the financial statements.
- (b) Expenditure amounting to Rs. 3,562,252 incurred for the construction of the Sabha Building during the year under review had not been capitalized.
- (c) Stationary Stock of Rs. 65,073 as at 31 December of the year under review had not been accounted.
- (d) Final Closing Stocks of Rs. 502,244 relevant to the Water Schemes and Block Stones Project had been overstated in a sum of Rs. 5,293,786.

- (e) Provision of Rs. 1,749,289 had been made for Creditors, for the amount payable on bill value for reconstruction of the Pradeshiya Sabha building amounting to Rs. 764,238 as at 31 December 2015 during the year under review.
- (f) Value of Sundry Deposits amounting to Rs. 2,642,001 as at 31 December of the year under review had been understated in a sum of Rs. 551,553 in the financial statements.
- (g) While provision for Audit Fees for the year under review had not been made under Creditors, Audit Fees paid amounting to Rs.103,825 relevant to the years 2013 and 2014 had been accounted as an expenditure of the year under review.
- (h) The value of Lunuwatta Land purchased having paid a sum of Rs.9,281,250 during the year 2013 had not been capitalized.
- (i) Courts Fines Revenue amounting to Rs. 1,961,125 due to be recovered for the year 2012 had not been accounted.

1.3.2 Non-reconciled Control Accounts

- (a) Contract Creditors balance of Rs.31,528,584 according to schedules had been shown as Rs. 20,728,584 in the financial statements and therefore a difference of Rs. 10,800,000 was observed.
- (b) Value of unsettled advances amounting to Rs. of Rs.986,819 according to schedules, had been shown as Rs. 4,178,495 in the financial statements and therefore a difference of Rs. 3,191,676 was observed.

1.3.3 Accounts Receivable and Payable

According to the financial statements presented value of Accounts Receivable as at 31 December of the year under review was Rs.36,301,876, while the value of Accounts Payable had been Rs. 23,058,729.

1.3.4 Non-compliance with Laws, Rules and Regulations

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

Reference to laws, rules, regulations etc.,

Non-compliance

(a) National Environmental Act No. 47 of 1980 and Special Gazette Notification dated 25 January 2008

Environmental Permits had not been issued for the year 2015 to 23 Business Entities liable to obtain Environmental Permits, but Trade Licenses had been issued.

(b) Clauses 4 in Chapter xxiv of the Establishments Code of the Republic Sri Lanka

Action had not been taken to recover Staff Loans totaling Rs. 220,454 due to the Sabha from two officers who had vacated service and left on transfers.

(c) Public Finance Circular No. PF/437 dated 18 September 2009

When obtaining insurance cover by all Government and Semi-Government, those should be obtained direct, only from the National Insurance Fund or from the Sri Lanka Insurance Corporation Limited. However, insurance cover for 07 vehicles had been obtained through an insurance agent by the Sabha.

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 ended 31 December 2015 amounted to Rs. 10,882,900 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 11,143,360.

2.2 Revenue Administration

Courts Fines and Stamp Fees Revenue

(a) According to the financial statements presented, Courts Fines amounting to Rs. 5,000,000 and Stamp Fees amounting to Rs. 8,259,509 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

- (b) Action had not been taken to prepare and identify Courts Fines Schedules for the years 2013, 2014 and 2015.

3. Operating Review

3.1.1 Operational Inefficiencies

Lease Rent amounting to Rs. 124,000 recovered during the years 2005 and 2006 from 09 lessees for leasing out blocks of lands belong to the Sabha for construction of trade stalls in Ranhawadigama had been withheld in the Deposits Account without being considered as revenue for the relevant years.

4. Good Governance and Accountability

4.1 Budgetary Control

The Budget had not been made use of as an effective tool of management for 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 adequate internal audit had not been carried out for the year 2015.

4.4 Implementation of Audit and Management Committees

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

4.5 Assets Management

Idle and Under-utilized Assets

Although the Cab Vehicle provided to the army operations and handed over back to the Sabha on 26 May 2015 had been withdrawn from running as it was not road worthy, action had not been taken for disposal in terms of Public Finance Circular No. 02/2015 dated 10 July 2015.

4. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contracts Administration
- (e) Stocks Control.