

Badulla Pradeshiya Sabha

Badulla District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

Financial Statements for the year 2016 was submitted to the Audit on 27 March 2017 while Financial Statements relating to the preceding year had been submitted on 24 March 2016. The report of the Auditor General relating to the year 2016 was issued to the Secretary of the Sabha on 30 June 2017.

1.2 **Qualified 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 Badulla Pradeshiya Sabha as at 31 December 2016 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 Polices**

The accounting policy applied for valuation and accounting of Closing Stocks of the Sabha had not been disclosed in the Financial Statements.

1.3.2 **Accounting Deficiencies**

Following deficiencies are observed.

- (a) Audit fees payable for the year under review amounting to Rs.25,364 had been accounted twice.
- (b) Building application examining allowance of Rs.6,600 paid for the employees of the Sabha during the year under review had not been accounted.
- (c) Stocks of undistributed waste baskets valued at Rs.5,520 received from the Department of Local Government in the year 2014 had not been accounted.

1.3.3 **Accounts Receivable and Payable**

According to financial statements presented, the value of accounts receivable as at 31 December of the year under review was Rs.10,917,341 while the value of accounts payable as at that date had been Rs.3,365,093.

1.3.4 **Non-compliance with Laws, Rules and Regulations**

Instances of non-compliances with Laws, Rules and Regulations etc. observed in audit are shown below.

Reference to Laws, Rules and Regulations.

Non-compliance

(a) Section 149 of the Pradeshiya Sabha Act, No. 15 of 1987

Action had not been taken to recover income entitled to Sabha from a hotel with twenty rooms by imposing By-laws.

(b) Pradesiha Sabah (Financial and Administrative) Rules of 1988

(i) Rule 155

Cash book had not been maintained as per the Format PS 10

(ii) Rule 164

Initial had not been placed daily after checking the accuracy of the books of accounts by the Secretary or an authorized officer.

(iii) Rule 180, Financial Regulation 885 and Letter No. 2/M/1 of 24 March 2010 of the Chief Secretary to the Uva Province

The officers who in-charge for custody of cash, properties and stores and all the officers responsible for signing cheques and certifying vouchers had not been deposited the required securities.

(c) Financial Regulations of the Government of the democratic Socialist Republic of Sri Lanka.

(i) F. R. 396(d)

Action in respect of 07 lapsed cheques valued at Rs.16,956 issued but not presented for payments over 06 months had not been taken.

(ii) F. R. 571

Action had not been taken to dispose 13 lapsed deposits aggregating Rs.29,950 remained over 02 years as at 31 December 2016.

(d) Sections 1;6 and 4 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.

A sum of Rs.24,926 receivable from 12 officers/employees who were transferred out, retired, vacated their posts and missing had not been recovered.

(e) Public Administration Circular No:5/2014 dated 25 October 2014

Duties of the Library and Reception had been assigned to two labours recruited on construct basis by paying monthly allowance of Rs.15,000 since 01 August 2016.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, excess revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.4,343,789 and the corresponding excess revenue over recurrent expenditure for the preceding year amounted to Rs.3,062,820.

2.2 **Revenue Administration**

2.2.1 **Performance on Revenue Collection**

The arrears income receivable to the Fund of the Sabha relating to previous years as at 31 December of the year under review was Rs.681,557 while out of the estimated income of Rs.7,857,686 an amount equal to 82 per cent had been outstanding as at 31 December of the year under review.

2.2.2 **Courts Fines and Stamp Fees**

Court Fine and Stamp Fees receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2016 was Rs. 7,681,557.

3. **Operating Review**

3.1 **Performance Review**

The following matters are observed.

- (a) Equipment purchased by the Divisional Secretariat, Badulla by utilizing the provision made under Gamaneguma Program of 2011 had been provided to the Sabha during the year 2013 for the purpose of distribute among the health Centers belong to Sabha. Out of that equipment, approximately 75 per cent had been kept in the Sabha.
- (b) Although one Television is adequate to affix at the premises of the Sabha for the public use, six Televisions had been affixed at the premises of the Sabha

3.2 **Management Inefficiencies**

- (a) Action to remit the pension payable of Rs.574,858 on behalf of the employees who retired from the Local Government services before 03 September 1993 had not been taken even up to 31 December 2016.
- (b) Out flag posts received from the Department of Devineguma, 56 flag posts valued at Rs.62,000 were issued to 04 members of Pradesiy Sabha including Vice Chairman during the year 2014. However, those posts had not been returned to the Pradesyia Sabha and other than the above flag posts which issued to the members, 50 flag posts valued at Rs.55,357 had been in shortage.

3.3 **Operation inefficient**

Although the lease agreements of 04 trade stalls at the Uva Wellassa shopping complex belonging to the Sabha had been elapsed as at 31 August 2009 and 31 January 2016, the monthly rental is being recovered without taking action to renew those agreements or taking over these stales to the Sabha.

3.4 **Idle and Under-utilized Assets**

Three vehicles valued at Rs.16,632,064 received to the Sabha on 17 December 2014 had been lying idled without being utilized for any purpose.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

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

4.2 **Annual Procurement Plan**

An Annual Procurement Plan had not been implemented.

4.3 **Internal Audit**

An internal Audit had not been carried out for the year 2016.

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 systems and controls.

- (a) Internal Control
- (b) Revenue Collection