

Bandarawela Pradeshiya Sabha

Badulla District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

Financial Statements for the year 2016 had been submitted to Audit on 31 March 2017, while the Financial Statements relating to the preceding year had been submitted on 31 March 2016. The Auditor General's report relating to the year 2016 was issued to the Secretary to the Sabha on 31 July 2017.

1.2 **Qualified Opinion**

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Bandarawela 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 Deficiencies**

The following deficiencies are observed.

- (a) Fixed Assets to the value of Rs.252,550 purchased in the year under review had not been accounted.
- (b) Inventory worth Rs. 287,164 which should be shown under the current assets had been accounted under the fixed assets.
- (c) The value of creditors as at 31 December of the year under review relating to 03 works had been overstated by Rs.1,412,987.
- (d) Creditors amounting to Rs.112,313 relating to previous year had been included in the capital expenditure of the year under review.
- (e) The creditors shown as contract creditors for the year under review had been overstated by Rs.55,473.
- (f) Security deposits of employees amounting to Rs.37,812 had not been accounted.
- (g) Interest receivable on fixed deposit for the year 2016 maintained in the Bank of Ceylon had been understated by Rs.11,700.
- (h) Arrears of warrant and penalty as at 31 December 2016 had been understated by Rs.434,326.
- (i) Provision for audit fees for the year under review had not been made in the accounts.

- (j) The flowing accounting deficiencies pointed out in the previous year audit report had not been rectified even in the year under review.
- (i) Accounted the receivables relating to 06 construction works twice as debtors.
 - (ii) Accounted the payables relating to 07 construction works twice as creditors.
 - (iii) Understated the interest receivables on fixed deposits maintaining in the Bank of Ceylon and Peoples' Bank by Rs. 46,387.
 - (iv) Understated therevenue from court fine by Rs.157,707.

1.3.2 Un-reconciled Control Accounts

A difference of Rs.Rs.8,012,596 was revealed between the balances of account shown in financial statements presented by the Sabha and the values shown in the corresponding schedules.

1.3.3 Accounts Receivable and Payable

According to the financial statements presented the value of the accounts receivable as at 31 December of the year under review was Rs. 16,076,980, while the value of accounts payable was Rs. 14,588,935.

1.3.4 Lack of Evidence for Audit

Four items of account worth Rs.10,899,552 could not be satisfactorily vouched in audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Sections 1;6 and 4 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.	Staff loans amounting to Rs.311,934 due from 06 officers who were transferred out from the Sabha and vacated their posts had not been recovered.
(b) Public Administration Circular No.41/90 of 10 October 1990	Fuel consumption testing for 07 vehicles belonging to Sabha had not been carried out.
(c) Section 23(a) of the National Environmental Act, No. 47 of 1980 as amended by Act No 56 of 1988 and 53 of 2000	The activities which should be obtained the environmental license had not been identified by conducting proper survey and environmental licenses had not been issued for 30 business activities.

1.3.6 **Transactions not confirmed by adequate Authority**

The approval for excess utilization of 856 liters of fuel worth Rs.81,320 contrary to letter No. B/ACLG/03/02 dated 13 August 2016 issued by the Assistant Commissioner and paragraph 02(vii) of the letter No. 12/1/1 dated 03 June 2015 issued by the Commissioner of Local Authorities of Uva Province relating to delegation of power had not been obtained.

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.10,002,360 and the corresponding excess revenue over recurrent expenditure for the preceding year amounted to Rs.7,431,704.

2.2 **Revenue Administration**

2.2.1 **Performance in Revenue Collection**

It was observed that the performance in revenue collection was not in a satisfactory level as the progress of collection of income out of the billed acre tax was only 36 per cent.

2.2.2 **Other Revenue**

Although the by-laws were imposed with regard to maintaining five telecommunication towers within the authority area of the Sabha, action had not been taken to collect the charges thereon.

2.2.3 **Courts Fines and Stamp Fees**

Court Fine of Rs.5,221,457 and Stamp Fees of Rs.5,310,593 were in receivable from the Provincial Council for the year under review.

3. **Operating Review**

3.1 **Management Inefficiencies**

Remittance of Rs. 172,804 by the Sabha to the respective banks as contribution for interest on behalf the propriety loans obtained by the Sabha's employees had not been reimbursed from the Department of Local Government.

3.2 **Operation Inefficiencies**

Action had not been taken to recover the arrears rental income of Rs. 11,700 on behalf of rented out JCB machine to outside parties.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

Budget had not made use of a control tool in the management of revenue and expenditure of the year under review.

4.2 **Annual Procurement Plan**

Annual Procurement Plan had not been implemented in the year under review.

4.3 **Internal Audit**

Internal Audit had not been carried out in the 2016 year.

4.4 **Implementation of Audit and Management Committees**

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

5. **Systems and Controls**

Special attention of the Sabhais needed in the following areas of systems and controls.

- (a) Fixed Assets
- (b) Internal Control
- (c) Inventory Control
- (d) Collection of Revenue
- (e) Control over Vehicles
- (f) Procurements