

Badalkumbura Pradeshieya Sabha
Monaragala District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 27 October 2014 and the financial statements for the preceding year had been presented on 17 May 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 07 November 2014.

1.2 **Opinion**

Except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Badalkumbura Pradeshieya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

- (a) Action had not been taken during the year under review too, to assess the value of the land and buildings of the Sabha.
- (b) The value of the un-numbered water bowser which had been taken for repairs during 2010, misplaced and then returned during the year under review had not been assessed and brought to account.
- (c) Action had not been taken to assess and brought to account the value of 61 un-priced books as mentioned in the register of books of 02 libraries owned by the Sabha.
- (d) Provision had not been made for audit fees payable for the year under review.
- (e) Action had not been taken during the year under review too to settle the balance of the payment in advance account of the Sabha amounting to Rs.83,719 exists since year 2006.

1.3.2 Un reconciled Control Accounts

According to the financial statements, the total of the balances of 08 items of accounts amounted to Rs.42,610,791 and the balance according to the registers amounted to Rs.38,579,684.

1.3.3 Lack of Evidence for Audit

Two items of assets totaling Rs.5,360,472 an item of liability amounting to Rs.1,777,799 and an item of revenue amounting to Rs.19,889,163 could not be satisfactorily vouched in audit due to the non – submission of required information to audit.

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

The non-compliances with the provisions of the following laws, rules and regulations were observed in audit.

Reference to Laws , Rules and Regulations -----	Non – compliance -----
(a) Pradeshieya Sabha Act No.15 of 1987 (i) Section 19 (1)(i)	Casual water pipe labourer and a Librarian had been recruited in April and July of the year under review and salaries and allowances amounting to Rs.142,938 had been paid from the Sabha funds. However, written prior approval of the Commissioner of Local Government had not been obtained for this.
(ii) Section 158 and 159	Revenue in arrears totaling Rs.43,282,312 as at end of the year under review had not been recovered.
(b) National Environmental Act No. 44 of 1987 Section 23(a)	Trade licence had been issued to 12 industries during the year under review without obtaining environment protection licence.

1.3.5 Unauthorized Transactions

(a) Salaries amounting to Rs.32,236 had been paid from the Sabha funds for September, October, November of the year under review, to a casual health

labourer of the Sabha for serving at the Badalkumbura Divisional Health Services Office without authority.

- (b) According to the Letter No.12/අ/06 dated 25 January 2012 of the Commissioner of Local Government on additional fuel; the monthly fuel limit of a Chairman is 300 Litres and the approval of the Assistant Commissioner, Monaragala should be obtained for use of 200 Litres in excess of the said limit and the approval of the Commissioner of Local Government should be obtained for the usage of more than the above quantity. However, 151 Litres of fuel valued at Rs.18,331 had been consumed without such approval.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December of the year under review amounted to Rs'154,709 as compared with the excess of recurrent expenditure over revenue amounting to Rs. 719,031 for the preceding year showing an increase of Rs.564,322 in the financial result.

2.2 **Revenue Administration**

2.2.1 **Rates and Taxes**

Rates and taxes had not been assessed after year 2006 up to 12 December 2013 in terms of Section 140(1) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 **Lease Rent**

- (a) Action had not been taken up to 12 December 2013 to lease out 16 stalls of the Badalkumbura Trade Complex constructed during 2008 under the provisions of the Ministry of Regional Development.
- (b) Action had not been taken during the year under review to lease out 03 stalls of the weekly fair of the Badalkumbura Pradeshiya Sabha.
- (c) Arrears amounting to Rs.56,728 due from 06 stalls of the weekly fair of the Badalkumbura Pradeshiya Sabha as at 31 December of the year under review had not been recovered.
- (d) It had been decided at the Procurement Committee had on 15 November 2012 to lease out the fish market of the Badalkumbura town and security deposits amounting to Rs.138,889 had been obtained on 28 January 2013. However, the lessee had been allowed to run the fish stall without signing the agreement even

by 07 June of the year under review and the relevant lease rent also had not been recovered.

- (e) The beef stall No.04 situated at the Badalkumbura town given to the lessee for Rs.1,360,500 during the year 2011 had been given to the same lessee in year 2012 to operate a chilled beef stall on a trade licence fee of Rs.3,300. Formal Procurement procedure had not been followed for the lease for year 2012 and therefore the sabha had deprived of an income of Rs.1,496,500.
- (f) The minimum bid of this beef stall had been decided at Rs.1,646,205 for the year under review. But, the Sabha had not taken necessary action properly and therefore the Sabha had deprived of an income which should have been received.

2.2.3 **Court Fines and Stamp Fees**

Money receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Secretary of the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	156,849
Stamp Fees	807,593

3. **Operating Review**

3.1 **Operating Inefficiencies**

- (a) Necessary action had not been taken in respect of 272 library books valued at Rs.28,622 not made available for the verification for the year 2012 by 04 Libraries of the Sabha.
- (b) Works deposits amounting to Rs.152,440 received during 2011 and 2012 had not been settled even as at end of the year under review.

4. **Accountability and Good Governance**

Budgetary Control

Significant variances were observed between the income and expenditure estimated in the budget prepared by the Sabha for the year under review and the actual income and expenditure for the year. Therefore, the budget had not been made use of as an effective tool in controlling income and expenditure.

5 **Systems and Control**

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration