

## **Bandarawela 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 14 May 2015 while Financial Statements relating to the preceding year had been submitted on 26 May 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 13 August 2015.

##### **1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Bandarawela Pradeshiya Sabha as at 31 December 2014 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 matters are observed.

- (a.) According to the Assets Registers maintained in the Sabha, value of three lands amounting to Rs.300,000 had been omitted from the accounts. Due to that, Non-current Assets and Contribution from Revenue to Capital Outlay Account as at 31 December of the year under review had been understated at the rate of Rs. 300,000 in the financial statements.
- (b.) Staff Security Deposits of Rs. 28,105 recovered from the officers / employees of the Sabha and invested in bank accounts had been omitted in the financial statements. Due to that, Investments Balance as at 31 December of the year under review and Refundable Deposits had been understated at the rate of Rs. 28,105 in the financial statements.

- (c.) Provision had been made under Creditors, for Works expected to carry out from the sum of Rs.3,000,000 received in cash under Programme for Strengthening Pradeshiya Sabha. Due to that, expenditure for the year under review and Liabilities as at 31 December had been overstated at the rate of Rs. 3,000,000 in the financial statements.
- (d.) Provision for Creditors had not been made in respect of the sum of Rs. 109,760 payable during the year to the Commercial Superintendent of Sri Lanka Railway for allocation of Heeloya Portion of Land for the Pura Neguma Project. Due to that, Liabilities as at 31 December of the year under review and expenditure for the year had been understated at the rate of Rs.109,760 in the financial statements.
- (e.) Ten Multi-Purpose Mobile Booths Valued Rs. 265,000 received under the provisions of the Ministry of Local Government and Provincial Councils during the year under review had not been accounted. Due to that, the Assets Account and the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs. 265,000 in the financial statements.
- (f.) Although 06 tyres purchased on 05 August 2014 for a sum of Rs. 220,000 were in stores, those had not been included in the stock as at 31 December of the year under review.

### **1.3.2 Accounts Receivable and Payable**

According to the financial statements submitted by the Sabah, the value of Accounts Receivable balances as at 31 December of the year under review was Rs.36,059,207 and the value of Accounts Payable balances had been Rs.28,786,581.

### **1.3.3 Non-compliance with Laws, Rules and Regulations**

Following instances of non-compliance with laws, rules and regulations were observed in audit.

<b><u>Reference to Laws, Rules, Regulations etc.</u></b>	<b><u>Non-compliance</u></b>
(a.) Clause 1.6 and 4 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka	- Staff Loans amounting to Rs.168,750 due for the period from 1996 to 2014 from officers/employees who were in service of the Sabha and left on transfers and vacated service had not been recovered.
(b.) Financial Regulations of the Republic of Sri Lanka Financial Regulation 571	- Action had not been taken to clear Refundable Deposits valued at Rs.204,958 which had elapsed two years from the date of deposit in terms of the Financial Regulations.

## **2. Financial Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 had been Rs.9,916,499 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 4,83,282 in the preceding year reflecting a net increase of Rs.5,083,217 in the financial results.

### **2.2 Revenue Administration**

#### **2.2.1 Water Charges**

Water Charges in arrears amounting to Rs. 507,215 as at 31 December 2014 due from 125 consumers in 06 water schemes maintained by the Sabha had not been recovered.

### **2.2.2 Court Fines and Stamp Fees**

According to financial statements furnished by the Sabha, Court Fines amounting to Rs.4,562,839 and Stamp Fees Revenue amounting to Rs. 10,072,800 were due from the Chief Secretary to the Provincial Council and other authorities to the date of 31 December 2014.

### **2.2.3 Communication Tower Charges**

Although a Notification had been published in the Gazette for the recovery of revenue from communication towers erected in the area of authority of the Sabha, action had not been taken to recover such revenue.

## **3. 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