

Bandarawela Pradeshiya Sabah

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 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 14 May 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 08 July 2016.

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 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 deficiencies are observed.

- (a) Inventory goods valued at Rs. 274,193 purchased during the year under review had been shown under Fixed Assets, overstating the balance in the Contribution from Revenue to Capital Outlay Account .
- (b) Fixed Assets balance had been written -off to an extent of Rs. 459,654 without approval of the Sabha.
- (c) Six Debtors balances valued at Rs. 4,620,345 had been overstated in the accounts.
- (d) Seven Creditors balances valued at Rs. 4,771,547 of the year under review had been overstated in the accounts.
- (e) Interest Income receivable for Fixed Deposits had been understated in a sum of Rs. 46,387 in the accounts.
- (f) Courts Fine Revenue relevant to the year under review had been understated in a sum of Rs. 157,707 in the accounts.

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. 26,782,957 and the value of Accounts Payable balances had been Rs. 16,993,994.

1.3.3 Non-compliance with laws, rules, regulations etc.

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

| Reference to Laws, Rules and Regulations | Non-Compliance |
|---|--|
| (a) <u>Pradeshiya Sabha Act No. 15 of 1987</u> | |
| (i) Section 17 | Action had not been taken to takeover lands belong to the Sabha. |
| (ii) Section 132(k) and the letter No. 12/b/1 dated 24 May 2010 of the Uva Commissioner of Local Government | A sum of Rs. 18,500 had been paid as a grant to building without prior sanction of the Minister.obtain electricity supply to a welfare society |
| (a) <u>Pradeshiya Sabha (Financail and Administrative) Rules of 1988</u> | |
| (i) Rule 180 and the letter No.2/F/1 dated 24 March 2010 of the Uva Province Chef Secretary | Security Deposits valued at Rs.22,000 to be furnished deposited security. by 04 officers who should furnish security had not |
| (ii) Rule 218 | Although land and buildings should be surveyed at least once a year, survey works had not been carried out during the year 2015. |
| (b) Clause 1,6 and 4 in Chapter XXIV of the Establishment Code of the Republic of Sri Lanka | Staff Loans amounting to Rs. 168,750 due from 05 officers who were in service of the Sabha and left recovered. |
| (i) Public Administration Circular | |
| ----- Circular No. 41/90 dated 10 October 1990 | 1899 Liters of fuel valued at Rs.180,417 had been used for Lorries and Backhoe Machine during the year 2015 without carrying out fuel consumption tests. |

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 2015 had been Rs. 7,431,704 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 9,916,499.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

While recovery of Acreage Tax and Water Charges Revenue in arrears due to the Sabha Funds as at 31 December 2015 had been between 6% - 38%, the percentage of recovery with regard to Acreage Tax and Water Charges billed for the year under review had been 0% and 31%. Accordingly, it was observed that performance in revenue collection was not at a satisfactory level.

2.2.2 Courts Fines and Stamp Fees

A sum of Rs. 5,339,484 on account of Courts Fines and a sum of Rs. 8,693,071 on account of Stamp Fees were due to recovered as at 31 December 2015 from the Chief Secretary to the Provincial Council and other authorities.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) The Sabha had not taken action to recover charges from three wheeler vehicles in the three wheeler parks in the area of authority of the Sabha having imposed by-laws.
- (b) Action had not been taken to recover charges for operation of 7 transmission towers in the area of authority of the Sabha having imposed by-laws.

3.2 Operational Inefficiencies

Recommendations of the Board of Survey carried out relevant to the year 2014 had not been implemented even as at 31 December 2015.

3.3 Contracts Administration

Following matters are observed.

- (a) Reservation belongs to the Railway Department had been selected for construction of the Bandarawela Pradeshiya Sabha Building, Library, Weekly Fair and Latrine Complex instead of selecting the Kinigama Play Ground belongs to Sabha. While a sum of Rs. 35,855,811 had been spent for this under Pura Neguma Project during the year 2014, a lease agreement had been entered into for five years at an annual lease rent of 109,760 for this. A disclaimer agreement too had been entered into with the Provincial Roads Director as the construction gets into 15 meters of the road reservation.

- (b) A sum of Rs. 155,873 had been overpaid more than the value of work finished for fixing floor tiles of the Bandarawela Pradeshiya Sabha Building.

4. Good Governance and Accountability

4.1 Budgetary Control

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

4.2 Annual Procurement Plan

An Annual Procurement Plan had not been prepared during the current year.

4.3 Internal Audit

An adequate internal audit had not been carried out with regard to the Pradeshiya Sabha for the year 2015.

4.4 Implementation of Audit and Management Committee

Audit and Management Committees had not been established during the year under review. Idle and Under-utilized Assets

5. Systems and Controls

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Contracts Control and
- (e) Assets Management
- (f) Stocks Control
- (g) Vehicles Control.