

Passara Pradeshiya Sabha

Badulla District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

Financial Statements for the year 2016 had been submitted to the Audit on 30 March 2017 while the Financial Statements relating to the preceding year had been submitted on 24 March 2016. The Auditor General's report for the year 2016 was issued to the Secretary of 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, financial statements give a true and fair view of the financial position of the Passara 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) Provision for creditors as at 31 December 2016 worth Rs.50,781 had not been made.
- (b) A general deposit amounting to Rs.101,440 had not been shown in the Financial Statements for the year under review.
- (c) Pre-payment of Rs. 71,981 made as at 31 December of the year under review had not been accounted.

1.3.2 **Accounts Receivable and Payable**

According to the financial statements presented the value of accounts receivable as at 31 December of the year under review was Rs.30,210,573 while the value of accounts payable had been Rs.24,104,038.

1.3.3 **Lack of Evidence for Audit**

Six items of accounts valued at Rs.97,118,363 could not be satisfactory vouched/verified in audit due to non-rendition of required information.

1.3.4 **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) Section 147 of Pradeshiya Sabha Act No 15 Of 1987 | Fees had not been recovered from 310 registered three wheelers by imposing By-Laws. |
| (b) Rules No. 217 and 218 of the Pradeshiya Sabha (Financial and Administrative) Rules. | Lands and buildings belonging to the Sabha had not been surveyed for the year 2016 |
| (c) Financial Regulation of the Government of the Democratic Socialist Republic of Sri Lanka | |
| (i) F. R. 110 | Register for losses and damages had not been maintained. |
| (ii) F. R. 189 | Action had not been taken to recover the respective amounts on behalf of 03 returned cheques valued at Rs.75,712 received during the years 1994 and 1996 as income to the Sabha. |
| (iii) F.R. 371 | Advances amounting to Rs.64,996 given in the years 2004 and 2006 had not been get settled. |
| (iv) F.R. 396 (d) | 03 cheques valued at Rs.21,962 issued but not presented for payments for more than 06 month had not been taken to income. |
| (v) F. R. 570 | Deposit Register had not been maintained by updating manner. |
| (d) Section 1.6 and 4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka. | Recoverable loan balances of Rs. 6,835 had not been recovered from 02 officers who transferred out from the Sabha and vacated their posts. |
| (e) National Environment Act, No. 47 of 1980 and Gazette No.1159/22 | Environmental Licenses for 27 business organizations had not been issued in the year 2016. |
| (f) Value Added Tax Act, No.14 of 2002. | Value Added Tax of Rs.13,821 recovered during the year 2012 had not been remitted to the Department of Inland Revenue . |

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 was amounted to Rs.8,444,560 while the corresponding excess revenue over recurrent expenditure for the preceding year had been amounted to Rs.11,803,722.

2.2 **Revenue Administration**

2.2.1 **Performance in Revenue Collection**

- (a) The progress on recovery of total arrears as at 01 January 2016 was 61 per cent and recoverable balance as at 31 December 2016 was Rs. 2,077,632.
- (b) The percentage of recovery in the year under review out of the billed value was 69 per cent and recoverable balance as at 31 December 2016 was Rs.1,077,120.
- (c) Fee from advertisement boards displayed in the authority area of the Pradeshiya Sabha had not been recovered by imposing By-Laws.

2.2.2 **Rates and Taxes**

Taxes for 1,671 properties relating to the year 2016 had been collected based on the assessment of the year 2005.

2.2.3 **Courts Fines and Stamp Fees**

Courts Fines and Stamp Fees amounting to Rs.33,934,965 was receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2016.

2.2.4 **Payment of Surcharges**

Surcharges paid to Employee Provident Fund

According to Section 16 of Act No:15 of 1958 amended by Act No: 01 of 1985, a surcharge of Rs. 12,933 had been paid to the Employee Provident Fund from the year 2002 to 2013.

3. **Operating Review**

3.1 **Solid Waste Management**

The garbage recycle building constructed in Meedumpitiya during the year 2015 by spending Rs.5,411,310 had not been utilized.

3.2 **Management Inefficiencies**

Two mobile phones which utilized by then Chairman and Vice Chairman of the Sabha valued at Rs.36,908 had not been obtained after end of the official period.

3.3 **Idle / Under-utilized Assets**

A sum of Rs.3,174,421 had been kept idle in three bank current account for last 06 years as at 31 December 2016.

4. **Good Governance and Accountability**

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 for the year under review had not been prepared and implemented.

5. **Systems and Controls**

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

- (a) Fixed Assets
- (b) Accounting
- (c) Debtors and Creditors