

## **Mahiyangana Pradeshiya Sabha**

### **Badulla District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 25 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 10 July 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 Mahiyangana Pradeshiya Sabha as at 31 December 2014, and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

- (a.) Value of ten mobile booths amounting Rs.265,000 at the rate of Rs. 26,500 per booth provided to the Sabha under the provisions of the Ministry of Local Government and Provincial Councils had not been accounted. Due to that, value of Fixed Assets as at 31 December 2014 of the year under review and the balance of the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs.265,000 in the financial statements.
  
- (b.) Value of 277 Galvanized Flag Posts amounting to Rs.273,820 provided to the Sabha for public utilities under the provisions of the Department of Divineguma Development had not been capitalized. Due to that, value of Fixed Assets as at 31 December 2014 and the balance of the Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs.273,820 in the financial statements.

- (c.) The sum of Rs. 712,000 due from the Uva Local Government Ministry as at 31 December of the year under review relevant to sale of Cab Vehicle No.53-5069 had been accounted as an income received in advance. Due to that, surplus for the year under review had been understated in a sum of Rs.712,000 while Income Received in Advance had been overstated to that extent in the financial statements.
- (d.) The balance of the loan obtained for Rain Water Drainage Project from the Local Loans and Development Fund amounting to Rs.2,756,855 as at 31 December 2014 had not been accounted. Due to that, value of Non-current Liabilities as at 31 December 2014 had been understated in a sum of Rs.2,756,855 in the financial statements.

### **1.3.2 Un-reconciled Control Accounts**

While the balance according to subsidiary registers relevant to an Item of Account was Rs.4,918,362, balance according to Control Account had been Rs.2,300,784. Accordingly, a difference of Rs.2,617,578 was observed.

### **1.3.3 Accounts Receivable and Payable**

According to the financial statements submitted, the value of Accounts Receivable balances as at 31 December of the year under review was Rs. 20,002,146 and the value of Accounts Payable balances had been Rs. 11,519,096.

### **1.3.4 Lack of Evidence for Audit**

Transactions totalling Rs. 6,592,973 could not be satisfactorily vouched in audit due to non-submission of required Information to Audit.

### 1.3.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with laws, rules and regulations observed in audit are shown below.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) <u>Pradeshiya Sabha Act No. 15 Of 1987</u> Section 132	- A sum of Rs. 547,264 had been spent in 21 instances for providing materials assistance to individuals, community based organizations and religious places without prior approval of the Minister in Charge of the Subject.
(b.) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> Financial Regulation 571	- Ten Deposits not claimed within two years from the date of deposit amounting to Rs. 64,570 had not been cleared.
(c.) Clause 1.6 and 4 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka	- Staff Loans amounting to Rs.33,711 due from 16 officers/employees who were in service of the Sabha and vacated post or left on transfers, had not been recovered.

## **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 amounted to Rs.5,411,275 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 288,212. Accordingly, a favorable variance was observed.

### **2.2 Revenue Administration**

#### **2.2.1 Rates**

Although a survey should be carried out once in five years and Rates should be recovered accordingly, Rates for the year under review too had been recovered on the basis of the assessment made during the year 2001.

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

Court Fines and Stamp Fees due from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
Court Fines	1,345,752
Stamp Fees	2,686,823
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	4,032,575
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## **3. Operating Review**

### **3.1 Management Inefficiencies**

The sum of Rs. 712,000 relevant to the sale of Cab Vehicle No. 53-5069 had not been got reimbursed through the Uva Local Government Ministry.

### **3.2 Idle and Under-utilized Assets**

(a.) Mack Power Generator with a capacity of 12.5 KVA had been defunct and kept in stores yard without being repaired to use that.

(b.) Tractor No. 37-7490 had been parked in the Sabha yard without being used.

### **3.3 Identified Losses**

Twenty one Galvanized Flag Posts valued at Rs. 20,758 had been misplaced.

### **4. Systems and Controls**

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Stores Control