

Meegahakivula 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 30 July 2015 while Financial Statements relating to the preceding year had been submitted on 28 May 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 28 August 2015.

1.2 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 Meegahakiula 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

- (a) Instead of crediting the surplus of Rs. 19,483,381 for the year under review to the Accumulated Fund, it had been debited with a sum of Rs. 18,893,704. Due to that, the balance of the Accumulated Fund as at 31 December of the year under review had been understated in a sum of Rs. 38,377,085 in the financial statements.
- (b) Reimbursements of Members Allowance and Acting Allowance amounting to Rs. 366,500 receivable relevant to the year under review had not been accounted. Due to that, receipts for the year and Debtors as at 31 December had been understated at the rate of Rs. 366,500 in the financial statements.
- (c) Although the Staff Loans to be recovered as at 31 December of the year under review was Rs. 263,077, it had been shown as Rs. 121,127. Due to that Assets had been understated in a sum of Rs. 141,950 in the financial statements.

- (d) Festival Advances amounting to Rs.145,000 paid during the year under review had been debited to the Advance Account instead of debiting that to the Staff Loans account. Due to that, payments of advances had been understated in the financial statements.
- (e) Although the balance of non-settled advances as at 31 December of the year under review was Rs. 913,672, it had been accounted as Rs. 1,839,248. Due to that Assets had been overstated in a sum of Rs.925,576 in the financial statements.
- (f) Although the balance of the Current Account No. 7017020 as at 31 December of the year under review according to the Cash-Book was Rs. 366,706, it had been shown as Rs 300,140 understating in a sum of Rs. 66,566. Minus balance in the current account No. 7016915 amounting to Rs 94,921 had been shown as a minus balance of Rs. 89,032, understating the minus balance in a sum of Rs. 5,889 in the financial statements.
- (g) Although the Stamp Fees Revenue Receivable as at 31 December 2014 according to information was Rs. 2,568,860, it had been shown as Rs.1,241,739 understating in a sum of Rs. 1,327,121 in the financial statements. However, when the schedules of revenue received during the year 2014 are compared with the budgeted stamp fees revenue, it was observed that the stamp fees revenue relevant to the year had been overestimated.
- (h) Although the Court Fines Revenue Receivable in arrears as at 31 December 2014 according to information was Rs. 1,541,010, it had been shown as Rs.328,045 understating in a sum of Rs. 1,212,965 in the financial statements. However, according to the schedules of Court Fines Revenue received during the year 2014 had been Rs. 1,003,657 while it had been Rs. 500,000 according to budget estimates. Accordingly, it was observed that the Court Fines Revenue relevant to the year had been overestimated by Rs.2,213,433.

1.3.2 Non-reconciled Control Accounts

When an account balance shown in the financial statements submitted by the Sabha is compared with the relevant subsidiary registers a difference of Rs. 9,881,285 was observed.

1.3.3 Suspense Account

According to financial statements presented, there was a credit balance of Rs.45,711,101 in the Suspense Account as at 31 December of the year under review.

1.3.4 Accounts Receivable and Payable

According to the financial statements presented value of Accounts Receivable as at 31 December of the year under review was Rs.30,685,145, while the value of Accounts Payable had been Rs. 4,735,961.

1.3.5 Lack of Evidence for Audit

Transactions totalling Rs. 29,474,176 could not be satisfactorily vouched in audit due to non- rendition of required information to audit.

1.3.6 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.) Pradeshiya Sabha Act No. 15 of 1987 Section 132	- A sum of Rs. 901,750 had been spent in 88 instances to grant materials to community based organizations without prior approval of Minister in Charge of the subject of Local Government.
(b.) Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000	- Action had not been taken to issue Environmental Permits to 16 Industries liable to obtain Environmental Permits

(c.) Financial Regulations of the Republic
of Sri Lanka

(i.) F.R. 371(j)

- Advances granted amounting to Rs.413,673 in 04 instances during the year 2014 had not been settled even up to August 2015.

(ii.) F.R. 396 (d)

- Action in terms Financial Regulations had not been taken with regard to 06 cheques valued at Rs.13,427 issued, but not presented for payments to the bank exceeding 06 months from the date of issue.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs. 914,202 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.423,494. Accordingly, a favorable variance of Rs. 1,337,696 was observed in the financial results.

2.2 Revenue Administration

2.2.1 Lease Rent

A sum of Rs. 32,400 in arrears due to the Sabha as hire charges for the Road Roller belongs to the Sabha had not been recovered.

2.2.2 Court Fines and Stamp Fees

According to the financial statements presented to audit, Court Fines amounting to R.328,045 and Stamp Fees amounting to Rs. 1,241,739 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Operational Inefficiencies

- (a) Five Works agreed upon for a sum of Rs. 2,448,674 under "Door to Door, Village to Village" Programme during the year 2014 had not been completed even up to August 2015.
- (b) Although the rent of 22 stalls belong to the Sabha had been assessed, old rent had been recovered without recovering the new assessed rent.

3.2 Idle and under-utilized Assets

- (a) The building constructed having spent a sum of Rs. 533,100 for a Dolomite Project under the provisions of the Decentralized Budget during the year 2002 had been abandoned without commencing the Project. Due to that, the building remained idle since the year 2003.
- (b) The Cab Vehicle carried for Army Operations and returned back to the Sabha on 27 October 2010 not in a suitable running condition had been parked in the Sabha Ground.
- (c) The Tractor No. 78-6932 remained idle without being used.

3.3 Solid Waste Management

While a Solid Waste Management Project is not in operation, garbage and waste collected from the area of authority of the Sabha were being dumped to a land near 13 mile post of Badulla Road haphazardly.

4. 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