

Meegahakiula Pradeshiya Sabha

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Badulla District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to the Audit on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 July 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 27 September 2015.

1.2 Opinion

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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 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.2 Comments on Financial Statements

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1.3.1 Accounting Deficiencies  
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- (a) Fixed Assets had been overstated in a sum of Rs. 413,757 during the year under review.
- (b) An un-identified sum of Rs. 206,609 relevant to the bank account in the Bank of Ceylon had been recorded to the debit of the ledger account.
- (c) The balance in the Accumulated Fund Account at the end of the year under review had been understated in a sum of Rs. 8,979,370.
- (d) An un-identified sum of Rs. 262,883 had been recorded to the credit of Accumulated Fund Account in the ledger during the year under review.
- (e) A sum of Rs. 804,279 had been overstated as Work Debtors in arrears for the year under review.
- (f) A sum of Rs. 1,006,864 had been overstated as Work Creditors according to financial statements for the year under review.
- (g) Courts Fines Revenue amounting to Rs. 147,513 and Stamp Fees Revenue amounting to Rs. 352,595 relevant to preceding year received during the year under review had been accounted as revenue for the year under review.

- (h) Courts Fines Revenue receivable at the end of the year under review had been understated in a sum of Rs.775,406.
- (i) The total of Capital Grants and Other Revenue Accounts amounting to Rs. 56,926 had not been taken to revenue in the financial statements.
- (j) Capital Grant of Rs. 1,000,000 received to the Sabha during the year under review had not been accounted as revenue.
- (k) Acreage Tax and Business Tax relevant to the year under review amounting to Rs. 180,210 had been understated in the accounts.
- (l) Local Government Pension Contribution payable for the year under review had been underprovided in a sum of Rs. 778,849.
- (m) Provision had not made for Audit Fees relevant to the year under review.

#### 1.3.2 Non-reconciled Control Accounts

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A total of differences observed between the balances relevant to 04 items of accounts totaling Rs. 2,192,185 shown in the financial statements and the balances shown in the subsidiary registers and records relevant to those was Rs.1,943,748.

#### 1.3.3 Suspense Account

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According to financial statements presented, a credit balance of Rs. 385,534 had been shown in the Suspense Account. as at 31 December of the year under review.

#### 1.3.4 Accounts Receivable and Payable

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According to the financial statements presented, value of Accounts Receivable balances as at 31 December of the year under review was Rs.13,651,027, while the value of Accounts Payable balances had been Rs. 6,845,899.

#### 1.3.5 Lack of Evidence for Audit

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Seven Items of Accounts valued at Rs. 96,784,514 could not be satisfactorily vouched in audit due to non-rendition of Transfer Orders or Deeds, Fixed Assets Registers, evidence to support the method of settlement, Ledger Accounts and detailed schedules

### 1.3.6 Non-compliance with Laws, Rules and Regulations.

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

Reference to laws, rules, regulations etc., -----	Non-compliance -----
(a) Section 132 of Pradeshiya Sabha Act No. 15 of 1987	A sum of Rs. 142,096 had been spent as financial and material grants in 05 instances without prior approval of the Minister in Charge of the subject of Local Government and the Sabha.
(b) Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988 -----	
(i) Rule 217	A Register in Form P.S. 46 had not been maintained with regard to all Lands and Buildings belong to the Sabha.
(ii) Rule 218	Lands and Buildings belong to the Sabha. had not been verified through a Board of Survey for the year under review.
(a) Environmental Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000	Action had not been taken to issue Environmental Permits to 11 Business Entities liable to obtain Environmental Permits.
(b) Stamp Duties (Special Provisions) Act No. 12 of 2006.	Stamp Duty amounting to Rs.12,625 had not been recovered from 505 officers who were in service of the Sabha and received gross emoluments exceeding Rs. 25,000 and remitted to the Commissioner General of Inland Revenue.
(e) Financial Regulations of the Republic of Sri Lanka -----	
(i) F.R. 371	Advances amounting to Rs. 656,300 granted by the Sabha in 15 instances had not been settled even up to August 2016.
(ii) F.R. 571	Action had not been taken to clear Deposits valued at Rs. 306,605, that had elapsed more than 02 years after deposit.

(f) Treasury Circular No. IAI/2002/02 dated  
28 November 2002.

A Register containing detailed particulars of

1.3.7 Improper Transactions  
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An appointment had been granted for a post of Substitute Laborer with effect from 04 November 2015 and a gross salary of Rs. 22,134 had been paid out of the Sabha Fund relevant to the two months, November and December 2015, contrary to clause 07 in Circular No. EST-4/PEMNT/03/0225 dated 12 November 2014 of the Secretary to the Ministry of Public Administration and Home Affairs.

2. Financial Review  
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2.1 Financial Results  
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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs. 3,338,210 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 914,202.

2.2 Revenue Administration  
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2.2.1 Performance in Revenue Collection  
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While Revenue in arrears due to the Pradeshiya Sabha Fund relevant to past years as at 31 December 2015 was Rs. 805,528, out of the revenue estimated for the year under review 57.3% (Rs. 2,693,909) had been in arrears.

2.2.2 Stalls Rent  
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Old Assessed Rent had been recovered for 22 stalls belong to the Sabha during the preceding year and the year under review, without recovering the newly assessed rent. Due to that, revenue amounting to Rs. 1,236,600 at the rate of Rs. 51,525 per month for the period from January 2014 to December 2015 had been lost to the Sabha.

2.2.3 Courts Fines and Stamp Fees  
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According to the financial statements presented to audit, Courts Fines amounting to R.1,152,208 and Stamp Fees amounting to Rs. 1,339,799 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

### 3. Operating Review

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#### 3.1 Contracts Control

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While 05 Works for which agreements had been signed during the year 2014 had not been completed even as at 08 August 2016,, action too had not been taken to get settled the advances amounting to Rs. 494,051 provided for those Works.

#### 3.2 Solid Waste Management

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Although the Sabha should take action according to the objectives of the Environment Act No. 47 of 1980 for recycling garbage, waste had been dumped in an open area near 13<sup>th</sup> Post on the Badulla Road causing environmental problems in the area around.

### 4. Good Governance and Accountability

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#### 4.1 Budgetary Control

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When estimated revenue and expenditure are compared with actual revenue and expenditure for the year under review, material variances were observed and therefore the Budget had not been made use of as an effective tool of management for control.

#### 4.2 Annual Procurement Plan

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Although an Annual Procurement Plan should be prepared and used by all institutions according to Clause 4.2 in Chapter 4 of the Government Procurement Guidelines, the Sabha had not taken such action during the current year.

#### 4.3 Implementation of Audit and Management Committees

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Audit and Management Committees had not been implemented during the year under review.

#### 4.4 Assets Management

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##### Idle and Under-utilized Assets

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- (i) A Hand Tractor belongs to the Pradeshiya Sabha had been parked idle in the Sabha Ground.
- (ii) A building constructed having spent a sum of Rs. 533,100 for the Dolomite Project had been kept idle throughout 11 years.

## 5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Debtors and Creditors Control
- (e) Stores Control
- (f) Solid Waste Management.