

Ella 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 Audit on 24 March 2016 while Financial Statements relating to the preceding year had been submitted on 27 April 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 08 July 2016.

1.2 Opinion

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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 Ella 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

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1.3.1 Accounting Deficiencies  
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Following accounting deficiencies are observed in audit.

- (a) The value of New Sabha Building had been overcapitalized in a sum of Rs. 1,777,665 during the year under review as value of Lands and Buildings.
- (b) When accounting for the purchase of 05 computers during the year under review, the value had been overstated in a sum of Rs.74,000.
- (c) Machinery and Equipment valued at Rs. 33,600 purchased during the year under review had not been accounted as Fixed Assets.
- (d) Galvanized Flag Posts valued at Rs. 217,474 taken over from Bandarawela Pradeshiya Sabha during the year under review had not been accounted.
- (e) Motor Vehicles and 03 Carts valued at Rs. 4,270,000 accounted during past years had been accounted again as a purchase during the year under review.
- (f) The value of 03 Motor Vehicles amounting to Rs. 9,761,032 received as donations to the Sabha from the Central Government during the year under review had not been accounted.

- (g) The value of 03 Garbage Carts amounting to Rs. 67,500 purchased by the Sabha during the year under review had not been accounted.
- (h) The value of Local Loans and Development Fund as at 31 December of the year under review had been understated in a sum of Rs. 5,090,374 in the financial statements.
- (i) Accumulated Fund as at 31 December and the balance of the Advance Account had been overstated by Rs. 575,266 in the financial statements due to adjustment of amount understated as un-settled advances during the preceding year through the entries made during the year under review.
- (j) Value of Court Fines amounting to Rs. 620,084 received during the preceding year had not been adjusted in the financial statements of the year under review.
- (k) Value of Court Fines amounting to Rs. 554,353 received in cash during the year under review had been debited again to the Other Revenue in Arrears Account of the year under review and credited to the Court Fines Account.
- (l) Security Deposits of Rs. 91,273 furnished on behalf of 15 officers engaged in service of the Sabha during the year under review had not been shown in the financial statements.
- (m) Total contribution of Rs. 32,805 payable to the Pensions Department relevant to the year under review had not been accounted. Due to that, deficit had been understated in the financial statements to that extent.
- (n) A sum of Rs. 1,085,177 payable to the Pensions Department as at 31 December of the year under review had not been accounted as an expenditure payable. Due to that, Current Liabilities had been understated in the financial statements.

### 1.3.2 Non-reconciled Control Accounts

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The total of differences between 09 items of accounts totaling Rs. 51,091,045 shown in the financial statements and the balances in the subsidiary registers, and reports relevant to those amounted to Rs. 16,895,948.

### 1.3.3 Accounts Receivable and Payable

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According to the financial statements submitted, the value of Accounts Receivable balances as at 31 December of the year under review was Rs. 26, 19,569,145 and the value of Accounts Payable balances had been Rs. 34,892,397.

### 1.3.4 Lack of Evidence for Audit

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Four Items of Accounts valued at Rs. 55,911,431 could not be satisfactorily vouched in audit due to non-submission of relevant detailed schedules and Board of Survey Reports.

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

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Following Instances of non-compliance with Laws, Rules, and Regulations etc. were observed in audit

Reference to Laws, Rules Regulations etc. -----	Non-compliance -----
(a) Sections 47(2) (1),(3) (1) and 49 in the Pradeshiya Sabha Act No. 15 of 1987	Legal action had not been taken by the Sabha with regard to 75 un-authorized constructions made in the area of authority without obtaining Certificates of Conformity relating to construction of buildings.
(b) National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988 and 53 of 2000 and Extra Ordinary Gazette Notification No. 1523/16 dated 25 January 2008.	A survey had not been carried out in order to identify Institution liable to obtain Environmental Protection Licenses for the year 2015.
(c) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 -----	
(i) Rule 217	A Register in Form P.S. 46 had not been maintained relating to all Lands and Buildings used by the Sabha and taken for occupation by the Sabha.
(ii) Rule 218	Lands and Buildings belong to the Sabha had not been surveyed for the year under review through a Board of Survey.
(d) Public Finance Circular No. PF/437 dated 18 September 2009.	Insurance cover of 04 vehicles belong to the Sabha had been obtained for a value amounting to Rs. 170,998 had been obtained through an insurance agent.
(e) Treasury Circular No. JAT2002/02 dated 28 November 2002.	Assets Registers relevant to 10 computers had not been maintained.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs. 9,106,105 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 4,709,589.

### 2.2 Revenue Administration

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#### 2.2.1 Performance in Revenue Administration

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While Rates in Arrears receivable to the Pradeshiya Sabha Fund relevant to past years as at 31 December 2015 was Rs. 2,641,975, out of the revenue billed for the year under review, a sum of Rs. 3,701,191, that is 40%, was in arrears as at that date.

#### 2.2.2 Stalls Rent

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- (a) While the lessees of 09 stalls belong to the Sabha had defaulted payment of Lease Rent amounting to Rs. 405,006, action had not been taken to recover rent in arrears.
- (b) Although a new assessment had been provided for stalls during the year 2014 through the Valuation Department, old assessed value was being recovered.

#### 2.2.3 Courts Fines and Stamp Fees

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A sum of Rs. 773,349 on account of Courts Fines and a sum of Rs. 5,575,916 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

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### 3.1 Management Inefficiencies

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Lease Rent in arrears amounting to Rs. 348,810 due from the lessee who got the lease of the Demodara Quarry for the year 2004 had not been recovered even as at 31 December 2015.

### 3.2 Operational Inefficiencies

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Following matters are observed.

- (a) While a proper fuel consumption tests of the Backhoe Machine belongs to the Sabha had not been carried out, the machine had been engaged for 518.6 machine hours during the year under review, without supervision of a responsible technical officers of the Sabha or without preparing work site estimates.
- (b) Although penalties should be recovered for unauthorized constructions in terms of Section 8 a(1) of the Urban Development Act No. 4 of 1982, a fine of Rs. 1,426,920 had not been recovered from a tourist hotel which had been an unauthorized construction. The Chairman informed me on 10 June 2016 that legal action will be taken against the owner of the tourist hotel.
- (c) Although there was a balance more than Rs. 3 million at the end of every month during the year 2015 in a current account of the Sabha, action had not been taken to invest surplus funds on a suitable investment.

### 3.3 Contracts Control

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The proposed new building for the Sabha had been constructed half way under direct construction basis in a land with mounts and slopes, according to a decision taken by the Sabha, non-complying with the conditions in the certificate of fittingness issued by the National Building Research Institute. There had been an earth slip in the slope of the land above the building during December 2014 and a heap of earth and debris had got accumulated behind and places around the new building causing damages to the building under construction. Accordingly, the expenditure incurred amounting to Rs 2,222,335 had been an un-economic expenditure.

## 4. Good Governance and Accountability

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### 4.1 Budgetary Control

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

### 4.2 Annual Procurement Plan

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Although an Annual Procurement Plan should be prepared and used by the Pradeshiya Sabha, such action had not been taken.

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) Stocks Control
- (d) Vehicles Control.