

Mahiyangana 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 18 March 2016. The report of the Auditor General relating to 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 Mahiyangana 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 amounting to Rs.1,151,692 had been erroneously made in two instances as at the end of the year under review.
- (b) Provision for debtors with regard to concreting Ulhitiya excess road under the Provincial Specified Development Fund had been understated by Rs. 200,000.
- (c) Expenditure of Rs.75,369 incurred for upcoming year had not been accounted for.
- (d) Difference types of Office Equipment purchased for Rs.53,900 in the year under review had not been accounted for.
- (e) Shortage of books valued at Rs. 32,340 revealed by Boards of Survey had not been removed from the Financial Statements.

1.3.2 **Un-reconciled Control Accounts**

The following observations are made.

- (a) Although the balance of arrears income included Financial Statements as at 31 December of the year under review was Rs.12,523,050, according to the registers it was Rs.12,227,148.
- (b) Although as per the shop rental register the rental receivable from 05 shop owners as at 31 December of the under review was Rs.26,300, it was shown in the Financial Statements as Rs.12,600.

1.3.3 **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. 22,275,720 while the value of accounts payable as at that date had been Rs. 30,938,256.

1.3.4 **Lack of Evidence for Audit**

Four items of assets aggregating Rs. 9,819,882 could not be satisfactory vouched in audit due to non- rendition of necessary information to the audit.

1.3.5 **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 and Regulations etc	Non-compliance
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(a) Pradeshiya Sabha Act No: 15 of 1987	

(i) Section 132 (g)	Donations amounting to Rs.63,690 had been grant to the outside parties during the year 2016 without the approval of the Minister in charge for the subject.
(ii) Sections 158 and 159	Although all the income should be recovered and credited to the Fund of the Sabha, arrears shop rental of Rs.438,875 and rates & taxes of Rs.2,550,307 had not been recovered.
(b) Financial Regulation of the Government of the Democratic Socialist Republic of Lanka 571	Two lapsed deposits as at 31 December 2016 amounting to Rs. 43,466 had not been disposed.
(c) Pradeshiya Sabha (Financial and Administrative) Rules of 1988	

(i) Rule 5(7)	Adequate internal audit had not been carried out.
(ii) Rule 180	Securities of Rs. 15,000 had not been deposited by two officers.
(iii) Rule 218	Board of Survey on land and buildings had not been conducted for the year 2016.

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| (d) | Section 4.6 of Chapter XXIV of the Establishments Code of the Democrat Socialist Republic of Sri Lanka. | Staff Loans totaling Rs.46,511 had not been recovered from 19 officers who were transferred out and vacated their posts. |
| (e) | Paragraph 16 of the Employee Trust Fund Act, No 46 of 1980 and Paragraph 27 of (amendment) Act, No: 03 of 1982 | A surcharge of Rs.39,333 had been paid due to delaying the payment of contribution to the Employee Trust Fund during the year 2015. |
| (f) | Section 10 of Employee Provident Fund (amendment) Act No: 15 of 1958 amended by Act No: 01 of 1985 | A surcharge of Rs. 68,436 to be paid to the Employee Provident Fund for the period of 2002 to 2014. |

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 amounted to Rs. 14,479,131 while excess revenue over recurrent expenditure for the preceding year amounted to Rs. 13,292,071.

2.2 **Revenue Administration**

2.2.1 **Performance on Revenue Collection**

- (a) The progress of collection of all arrears income outstanding as at 01 January 2016 was 57 per cent, while the recoverable balances as at 31 December 2016 was Rs1,483,847.
- (b) Out of the billed income for the year under review, 65 per cent was recovered and outstanding balance as at 31 December 2016 was Rs.1,066,459.
- (c) According to Section 149 and 159 of Pradesa Sabha Act, No.15 of 1987, seventeen shops in the shopping complex had not been obtained the trade licenses.

2.2.2 **Courts Fines and Stamp Fees**

A sum of Rs. 6,000,791 was receivable as Courts Fines and Stamp Fees from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2016.

3. **Operating Review**

3.1 **Idle / Under-utilized Assets**

A three-wheeler costing Rs.138,650 belonging to Preadesa Sabha had been kept idle after 31 August 2016 in the Sabha premises.

3.2 **Solid Waste Management**

- (a) Even though a sum of Rs.13,647,008 was spent for the National Solid Waste Management Project of Ministry of Local Government and Provincial Councils in the year 2013, it was failed to achieve the objectives of the Project.
- (b) According to Section 10(i) (b) (g) of Part II of the National Environmental Act, No.47 of 1980 amendment by Act, No. 56 of 1988, the materials and solid waste which harmful to the Environment should be disposed with adequate control. However, these were irregularly released to a land with extent of 5 acre situated around 250 meters away from Badulla, Mayagana main road.

4. **Good Governance and Accountability**

4.1 **Budgetary Control**

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

4.2 **Annual Procurement Plan**

An Annual Procurement Plan had not been implemented.

4.3 **Audit and Management Committee**

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

5. **Systems and Controls**

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

- (a) Control over Constructions
- (b) Stores Administration
- (c) Revenue Administration