

Meegahakiwla Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2018 had been submitted for audit on 08 March 2019 and the report summary of the Auditor General had been sent to the Chairman of the Council on the 26 May 2018 and the Detailed Management Audit Reports had been sent on 31 May 2019.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in the Section of the basis for qualified audit opinion of this report, Financial Statements give a true and fair view of the financial position of the Meegahakiwla Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the comments on Financial Statement

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the accounting officer
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(i) An amount of Rs.136,155 related to creditors from 04 works had been under stated by 31 December of the year under review.	Accounts should be prepared correctly.	Action will be taken to correct the calculation error in 2019
(ii) Remaining stationary amounting to Rs.38,558 as at 31 December the year under review, had not been accounted and as such the Accumulated Fund and currents assets had been under stated.	Accounts should be prepared correctly.	Action will be taken to correct the omission errors in 2019
(iii) Provisions had not been made for 04 miscellaneous creditors in the accounts amounting to Rs.141,978	Accounts should be prepared correctly.	Action will be taken to correct the errors made in the year 2018 on preparing account in the year 2019.

(b) Lack of Documentary Evidence for Audit

Audit Observations	Recommendations	Comments of the accounting officer
(i) 05 items of fixed assets amounting to Rs.98,754,948 and 02 items of debtors amounting to Rs.5,141,503 could not be vouched for satisfactorily in audit due to the lack of deeds, plans, transfer orders, detail schedules, fixed asset registers, utility registers, balance confirmation and age analysis reports.	Action should be taken to verify the balances of the financial statements.	Action will be taken to produce evidence as age analysis reports, shortage sub registers in preparing final account on 2019

1.4 Non-compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management decisions were shown below.

References to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the accounting officer
(a) Pradeshiya Sabha Act No. 15 Of 1987 Section 158 and 159	Rent, Water bills, Business tax, and license fees amounting to Rs.1,125,034 had not been collected.	Arrears of income should be collected immediately.	Action will be taken to collect in previous year.
(b) 1988 Pradeshiya Sabha (Financial and Administration) Rules (i) Rule 114	An amount of Rs.494,031 had been paid to 05 Rural Development Society as advance on 2014 and 2015, yet action had not been taken to finish the construction or reimburse the advance.	Advances should be reimbursed.	Action will be taken to collect from the responsible parties.

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Total arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Tax	970,000	1,319,437	1,041,362	322,510	920,000	1,170,982	810,601	360,382
(ii) Rent	3,787,612	3,715,812	2,996,737	719,074	2,814,663	2,814,663	2,891,574	85,293
(iii) License Fees	325,000	325,000	546,850	-	484,000	484,000	453,305	74,000
(iv) Other Income	450,000	450,000	587,471	83,450	550,000	550,000	342,825	228,145
Total	5,532,612	5,810,249	5,172,420	1,125,034	4,768,663	5,019,645	4,498,305	747,820

2.2.2 Performance of Revenue Collection

Audit Observations

Debtors amounting to Rs. 13,219,508 due from more than one year had not been collected even up to year under review.

Recommendations

Arrears of income should be collected.

Comments of the accounting officer

The balances of the receivable accounts amounted to Rs.1,304,794.

2.2.3 Shop Rent

Audit Observations

Action had not been taken to collect the rent according to the new assessment of 2014 for 22 shop rooms and shop rent had been collected as of the assessment of year 2011 and as such income amounting of Rs.63,530 had been lost as at 31 December of the year under review.

Recommendations

Ret should be assessed.

Comments of the accounting officer

The agreement will be entered in accordance with the amended assessment and legal actions will be taken to other shop owners.

2.2.4 Miscellaneous income

Audit Observations	Recommendations	Comments of the accounting officer
Receivable amounting to Rs.290,500 for the rent of JCB machine of the Council for the external party services had not been collected.	Arrears of income should be collected.	Action will be taken to collect the arrears of income.

2.2.5 Court Fines and Stamp Fees

Audit Observations	Recommendations	Comments of the accounting officer
Receivable court fine amounting to Rs. 3,300,000 and arrears of stamp fees amounting to Rs. 92,842 as at 31 December of the year under review had not been collected.	Arrears of income should be collected.	Action will be taken to collect.

3. Operational Review

3.1 Performance

It was revealed after the analyzing of the execution of activities of the Pradeshiya Sabha in accordance with the Section 3 of Pradeshiya Sabha Act 1987 such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, welfare and development are given below.

(a) By Laws

Audit Observations	Recommendations	Comments of the accounting officer
Although Bylaws should be enacted for 30 main functions as according to Section 126 of Pradeshiya Sabha Act, such by laws were not enacted even up to 31 December of the year under review.	By laws should be enacted for functions that should have by laws.	Action had been taken to advice officers to enact by laws.

(b) Action Plan

Audit observation-----
An action plan for the year under review had not been prepared.

Recommendations

An action should be prepared.Comments of the
accounting officer-----
The officer had been advised to prepare an action plan in due course.

(c) Sustainable Development Goals

Audit observation-----
Although Council had been aware of the “2030 agenda of Sustainable Development”, indexes for measuring the sustainable goals that the council can implement had not been identified.

Recommendations

Progress should be measured after identifying the indexes for measuring goals of sustainable development.Comments of the
accounting officer-----
Action will be taken to identify the indexes for measuring goals of sustainable development

3.2 Management Inefficiencies

Audit observation

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- (a) Action had not been taken to collect the loss of Rs.28,905 to be taken for an accident between a vehicle and a backhoe loader that was in service of a private site in Karamatiya on 12 August 2016.

Recommendations

The loss should be reimbursed the loss.Comments of the
accounting officer-----
Action will be taken to reimburse from the responsible parties.

- (b) Action had not been taken to settle an amount of Rs.2,208,653 due from more than one year even in the year under review.

Balances to be paid should be settled timely.

The value of the balance to be paid is Rs,4,156,888.

3.3 Human Resource Management

Audit observation-----
10 vacancies relevant to 06 positions had not been filled within the Council.

Recommendations

Vacancies should be filled.Comments of the
accounting officer-----
Action will be taken to fill the vacancies.

3.4 Asset Management

Audit observation

Recommendations

Comments of the
accounting officer

A building built for the purposes of a Dolomite Project valued at Rs.533,100 belonging to the Council had been left idle for 16 years.-----
The building should be used to fruitful purpose.-----
Use for fruitful purpose in due course.

3.5 Procurement

Audit observation

Recommendations

Comments of the
accounting officer

A procurement plan for the year under review had not been prepared-----
An annual budget should be prepared connecting to the procurement plan.-----
Procurement plan had been prepared.

4. Accountability and Good Governance

4.1 Audit and

Management

Committee

Audit observation

Recommendations

Comments of the
accounting officer

Although Audit and Management Committee meetings should be held once per quarter as according to circular No. DMA/ 2009(01) dated 09 June 2009 of the Department of Management Audit, yet only 02 meetings were held within the year under review.-----
A meeting should be held as per the instructions of the circular.-----
Performance in accordance with the Circular in due course.