

**Meegahakiula Pradeshiya Sabha  
Badulla District**

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**1. Financial Statements**

**1.1 Presentation of the Financial Statements**

The Financial Statements of the year 2019 had been presented to the audit on 26 February 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the chairman on 21 July 2020 and 24 July 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of this report, the financial statements give a true and fair view of the financial position of the Meegahakiula Pradeshiya Sabha as at 31 December 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3.1 Basis for Qualified Opinion**

**a) Accounting Deficiencies**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) Purchased value amounting to Rs. 1,752,452 of 20 used and discarded tires had been included in the closing stock as at 31 December of the year under review.	It should be removed from accounts.	Action will be taken to correct in the next year.
(ii) Although the creditors as at 31 December of the year under review had been Rs. 1,769,196, It had been stated as Rs. 1,820,141.	It should be accounted correctly.	Action will be taken to correct in the next year.

**b) Un-reconciled Accounts**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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As at 31 December of the year under review, Machines and equipment had been Rs. 9,702,480 according to financial statements while It had been Rs. 9,867,305 according to schedules, and the difference had been Rs. 164,825.	Account balances should be compared.	Action will be taken to correct in the next year.

c) **Lack of evidence for Audit**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Title deeds, plans, transfer orders, fixed assets register, assessment reports, schedules and age analysis relating to 03 items of account amounting to Rs. 54,128,334 had not been presented to the audit.	----- Evidence confirming account balances should be presented.	----- Action will be taken to collect necessary evidence.

1.4 **Non compliance**

**Non compliance with laws, rules, regulations and management decisions.**

<b>Reference to laws, rules regulations and management decisions</b>	<b>Non compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) <u>Pradeshia Sabha Act No. 15 of 1987</u> Sec. 122 ,126(a) of Pradeshia Sabha act No. 15 of 1987 and Sec. 39 of the by-law of gazette notification No. 520/7 dated 23 August 1988	Places that show advertisement boards had not been identified and collected fees after the year 2017.	Action should be taken in accordance with the Act.	Advertisement board fees are currently collected.
(b) Circular No. 1980/46 dated 31 December1980 of the commissioner of Local Government	Although the properties of the Sabha should be assessed once in 5 years and reached to agreements, Loss of Rs. 375,180 had been incurred from January to June of the year under review because rent of 22 shops had been charged based on the assessment of the year 2011.	Action should be taken in accordance with the guidelines of the circular.	Further actions regarding arrears will be taken after obtaining the approval of the Governor.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 has been Rs. 703,243 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 1,649,255.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	Estimated Revenue	2019			2018			Arrears as at 31December
		Revenue Billed	Revenue collected	Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,850,000	1,418,305	975,673	442,632	850,000	1,199,437	896,209	303,228
(ii) Rent	3,540,240	3,023,412	2,973,467	49,945	2,487,612	2,415,812	1,904,729	511,083
(iii) Other Revenue	4,100,000	4,100,000	-	4,100,000	3,500,000	3,500,000	407,158	3,092,842
Total	9,490,240	8,541,717	3,949,140	4,592,577	6,837,612	7,115,249	3,208,096	3,907,153

#### 2.2.2 Performance in Revenue Collection

##### **Audit observation**

Revenue debtors amounting to Rs. 12,933,305 that had elapsed more than two years had not been recovered.

##### **Recommendation**

Receivable balances should be recovered.

##### **Comments of the Accounting Officer**

It is accepted.

#### 2.2.3 Court Fines and Stamp Fees

##### **Audit observation**

Arrears of Court fines amounting to Rs. 2,600,000 and arrears of Stamp fees amounting to Rs. 1,500,000 due as at 31 December of the year under review had not been recovered.

##### **Recommendation**

Arrears of Court fines and arrears of Stamp fees should be recovered.

##### **Comments of the Accounting Officer**

Court fines as at 31 December of the year under review until September 2019 and Arrears of stamp fees until May 2019 have been recovered. Action will be taken to recover the remaining.

### **3. Operating Review**

#### **3.1 Performance**

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

##### **(a) By-laws**

###### **Audit observation**

###### **Recommendation**

###### **Comments of the Accounting Officer**

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Although by-laws should be imposed for 30 purposes under section 126 of the Pradeshiya Sabha Act, by-laws had not been imposed until 31 December of the year under review.

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By-laws should be imposed for the purposes that by-laws have not been imposed yet.

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Council decision has been taken to impose by-laws. Action will be taken to gazette promptly.

##### **(b) Action Plan**

###### **Audit observation**

###### **Recommendation**

###### **Comments of the Accounting Officer**

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Action plan had not been prepared for the year under review.

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Action plan should be prepared.

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Action plan for this year is being prepared.

##### **(c) Sustainable Development Goals**

###### **Audit observation**

###### **Recommendation**

###### **Comments of the Accounting Officer**

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Although there was awareness with regard to “Sustainable Development Agenda-2030” of the United nations, Indexes for measuring sustainable objectives and goals which could be applied to the sabha had not been identified.

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Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.

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Action will be taken in the future.

### 3.2 Management Inefficiencies

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Advances paid amounting to Rs. 494,051 for constructions in the year 2014 and 2015 had not been recovered; also relevant constructions had not been completed.	Advances should be recovered completing the constructions.	The attention of the subject officers has been drawn to the advances paid.
(b) Creditors amounting to Rs. 1,820,141 that had elapsed more than two years had not been settled.	Creditors should be settled.	It is accepted.

### 3.3 Assets Management

#### 3.3.1 Underutilized Assets

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The road roller amounting to Rs. 7,900,000 and the concrete mixer amounting to Rs. 255,000 had not been utilized in an income generating way.	It should be utilized in an income generating way.	Revenue generating method will be prepared in the next year.

#### 3.4 Idle Assets

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The building worth of Rs. 533,100 which had been constructed for the dolomite project had been idle for 16 years.	It should be used for an effective work.	Action will be taken to use for an effective project after presenting to the council.

### 3.5 Human Resource Management

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
As at 31 December of the year under review, there were 4 excess employees in 3 positions and 5 vacancies in 4 positions.	Appropriate action should be taken regarding the excess employees and vacancies in the approved cadre.	It has been sent to the Management service department.

#### **4 Accountability and Good Governance**

##### **4.1 Audit and Management Committee**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Only 02 Audit and Management Committee meetings had been held in the year under review.	----- Audit and Management Committee meetings should be held at least once in a quarter.	----- Action will be taken to conduct 4 Audit and Management Committee meetings in this year.