

Ella Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 27 April 2015 while Financial Statements relating to the preceding year had been submitted on 18 June 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 10 July 2015.

1.2 Opinion

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 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Although Local Loans and Development Loan Interest amounting to Rs.558,000 paid in respect of prior periods during the year under review should be debited to the Creditors Account, it had been debited to the Loan Account. Due to that, Loan Balance as 31 December of the year under review had been understated in a sum of Rs. Rs.558,000 and Creditors Account had been overstated in a sum of Rs.558,000 in the financial statements.
- (b.) Although the balance of unsettled advances as at 31 December 2014 was Rs.4,092,952 according to ledger accounts maintained by the Sabha, it had been shown as Rs. 3,517,686 in the statement of financial position.
- (c.) Although an advance of Rs.487,221 provided for works during the year under review had been settled at the end of the year, it had been accounted as an advance not settled. Due to that, expenditure for the year had been understated in a sum of Rs.487,221 while the balance of advances had been overstated to that extent in the financial statements.

- (d.) Final payment of Rs. 1,471,933 made for works during the year under review had been accounted as advances. Due to that, expenditure for the year had been understated in a sum of Rs. 1,471,933 while the balance of the Advance Account had been overstated to that extent in the financial statements.
- (e.) Expenditure incurred during the year under review amounting to Rs. 2,074,008 for the construction of the New Building for the Sabha had been accounted as recurrent expenditure. Due to that, recurrent expenditure for the year had been overstated and the capital expenditure had been understated to that extent in the financial statements.
- (f.) Although the arrears of Stalls Rent and Fair Tax as at the end of the year under review was Rs.824,885 according to the registers maintained in the Sabha, it had been accounted as Rs.228,308. Due to that, Revenue Debtors had been understated in a sum of Rs. 596,577 in the financial statements.
- (g.) Although Staff Loans amounting to Rs. 76,529 recovered from salaries of the officers during the year under review should be credited to the Staff Loans Account, it had been accounted as a settlement of advances. Due to that, the balance of the Staff Loans Account had been overstated by Rs.76,529 and the Advance Account balance had been understated to that extent in the financial statements.
- (h.) A sum of Rs. 29,700 received during the year under review for Criteria Based Development Proposals – 2013 had been credited to the advance Account instead of crediting the Work Debtors Account. Due to that, the balance of the Work Debtors Account as at 31 December of the year under review had been overstated in a sum of Rs. 29,700 and the Advance Account balance had been understated to that extent in the financial statements.

- (i.) The value of 05 Multi-Purpose Mobile Booths amounting to Rs. 132,500 received to the Sabha during the year under review had not been accounted. Due to that, the balances of Fixed Assets and Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs. 132,500 in the financial statements.

1.3.2 Non-reconciled Control Accounts

Differences were observed between balances shown in the financial statements relevant to the year under review and balances shown in the subsidiary registers.

1.3.3 Accounts Receivable and Payable

According to the financial statements submitted, the value of Accounts Receivable balances as at 31 December of the year under review was Rs. 22,746,604 and the value of Accounts Payable balances had been Rs. 19,759,068.

1.3.4 Lack of Evidence for Audit

Five Items of Accounts valued at Rs. 23,868,012 could not be satisfactorily vouched in audit due to non-submission of relevant detailed schedules, Board of Survey Reports and Confirmation Certificates of Balances.

1.3.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the following laws, rules and regulations were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) National Environmental Act No. 47 of 1980 and Gazette Notification No. 1840 dated 06 December 2013	- Although the validity period of the Environmental Protection Licenses of 12 business entities carried on in the area of authority of the Sabha had elapsed, renewal of licenses had not been done in terms of provisions in the Act.

(b.) Letter No. 12'B/6/03 (a-Fuel) dated 06 May 2013 of the Commissioner of Local Government - A sum of Rs. 45,225 had been spent for 378.7 Liters of diesel exceeding the approved limit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs. 4,709,589 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 145,807, indicating a favorable variance of Rs. 4,855,396 in the financial results.

2. Revenue Administration

2.2.1 Performance of Collection of Revenue

Progress with regard to recovery of arrears of revenue on account of leasing out the quarry and the stalls prevailed at the beginning the year had been at a weak level.

2.2.2 Lease Rent

Although the lessees of 10 stalls belong to the Sabha had defaulted payment of Lease Rent , action had not been taken to recover those amounts.

2.2.3 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs. 5,889,862 were due from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

	Rs.
Court Fines	986,114
Stamp Fees	4,903,748

	5,889,862
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3. Operating Review

3.1 Management Inefficiencies

- (a.) Action had not been taken during the relevant period to recover Arrears of Lease Rent amounting to Rs. 348,810 due from the lessee who got the lease of the Demodara Quarry for the year 2014.
- (b.) Charges had not been recovered after imposing by-laws for maintaining Telecommunication Towers in the area of authority of the Sabha.

3.2 Identified Losses

A fine of Rs.65,861 had been paid out of the Sabha fund for not making payment for services obtained within the specified period for the Machinery and Equipment obtained from the National Machinery and Equipment Institute by the Sabha.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary controls
- (c.) Revenue Administration