

**Ella Pradeshiya Sabha
Badulla District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 21 June 2012 and the financial statements of the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 September 2012.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that Ella Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Ella Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) Four items of assets valued at Rs. 5,045,289 belong to the Kithalella Water Scheme had not been brought to account and as a result the balance of the fixed account and the balance of the revenue contributions to capital investments account had been understated in the financial statements by a similar amount.

- (b) The total amount paid to the construction company for the Kithalella Water Scheme from 2008 to 2010 was Rs. 21,158,046 and 33% of it equivalent to Rs. 6,982,155 was payable to the Local Loans and Development Fund as loan repayments. But this had been brought to account as Rs. 4,920,459 and as such, the balances of loan payable as at 31 December 2011 had been understated in the financial statements by Rs. 2,061,696.

1.3.2 Lack of Evidence for Audit

Transactions totalling Rs.33,728,271 could not be satisfactorily vouched in audit due to non - submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2011 amounted to Rs. 3,519,844 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 3,388,242 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information to the estimated revenue , actual revenue and arrears of revenue in respect of the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs'000	Rs'000	Rs'000
(I) Rates and Taxes	1,570	704	581
(II) Lease Rent	1,891	1,175	567
(III) License Fees	800	868	-
(IV) Other Income	10,929	6,333	4,301

2.2.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are given below.

	Rs.
(I) Court Fines	901,157
(II) Stamp Fees	3,522,850

2.2.3 License Fees

Bye – laws had not been enacted to recover fees not exceeding 1% of the prior year's revenue as licence fees from lodgings approved by the Tourism Development Board in terms of Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 and the Tourism Development Act No. 14 of 1968 and the fees had not been recovered accordingly.

2.3 Irregular Transactions

A sum of Rs. 201,649 had been paid out of the funds of the Sabha for 2594.7 litres of Diesel in excess of the approved monthly limit of the Chairman, contrary to the letter No. CLG/1/Pra.Sabha Vehicles dated 09 May 2005 of the Commissioner of Local Government, Uva and the related instructions of the respective amendments.

2.4 Operating Inefficiencies

Plans had been approved to partition and sell a land with an extent of 02 Acres 01 Road and 30 perches from the Rathnagiriwatha, the total extent of which was 12 Acres 02 Roads and 13 perches of which is situated in the Idamegama, Pattiyakumbura Village within the authority area of the Sabha. But, the Sabha had not paid attention regarding the 10% of land consented by given to the Sabha. As a result, action had not been taken to obtain 39 perches of land due to the Sabha.