

Mahiyangana 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 18 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 08 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 Mahiyangana Pradeshiya Sabha as at 31 December 2014, 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

Following deficiencies are observed.

- (a) The Value of the balding constructed by the Sabha during the year under review amounting to Rs. 328,422 had not been capitalized.
- (b) Auction revenue of a cab vehicle does not belong to the Sabha, but auctioned by the Sabha for sum of Rs. 712,000 had been accounted as revenue due to the Sabha.
- (c) Stamp Fees revenue amounting to Rs. 361,873 overprovided for the preceding year had not been adjusted to the Accumulated Fund.
- (d) Court Fines revenue amounting to Rs.1,111,929 underprovided for the preceding year had not been adjusted to the Accumulated Fund.

1.3.2 Un-reconciled Control Accounts

The balance of the Local Loans and Development Fund shown in financial statements did not reconcile with the balances in subsidiary registers in a sum of Rs. 232,583.

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. 18,074,709 while the value of Accounts Payable balances had been Rs. 15,282,158.

1.3.4 Lack of Evidence for Audit

Five Items of Accounts valued at Rs. 103,348,467 could not be satisfactorily vouched in audit due to non-submission of relevant schedules, Fixed Deposits Registers, details of release/receipt of Deposits, Stock Verification Reports, Tax Deposit Registers and Nation Building Tax Deposits Register.

1.3.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with Laws, Rules, Regulations etc., observed in audit are shown below.

| Reference to Laws, Rules and Regulations, ----- | Non-compliance ----- |
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| (a) Pradeshiya Sabha Act No. 15 Of 1987 ----- | |
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| (i) Section 132 (a) | |
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| | Prior approval of the Minister in charge of the subject to be obtained for expenditure amounting to Rs. 14,725, had not been obtained. |
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| (ii) Section 147(i)(d) | |
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| | A Fee of Rs. 57,000 had been recovered for parking vehicles in the area of authority of the Sabha without resolution sanctioned by the Sabha and notification through the Gazette. |
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(b) Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988

(i) Rule 115

Although payments had been made on 14 December 2015 for Electrical Accessories valued at Rs. 65,695, those goods had not been received even up to 31 March 2016.

(ii) Rule 177

140 Street Lamps valued at Rs. 223,280 had been purchased and placed without preparing necessary plans, specifications, quantity sheets and calling for quotations.

(iii) Rule 180

Employees Security totaling Rs. 30,000 had not been deposited by 05 officers.

(iv) Rule 212

Goods valued at Rs. 223,280 purchased relevant to fixing 140 street lamps had not been recorded in the stocks books.

(v) Rule 218

Survey works relating to assets, relevant to the year under review had not been carried out by the Sabha.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 260

A personal name of an individual had been mentioned as payee, instead of the relevant institution in the cheque issued for Rs. 223,280 in settlement of the amount payable for the purchase of 140 street lamps.

(ii) Financial Regulation 571

Time lapsed Deposits totaling Rs. 63,500, deposited in 06 instances had not been credited to revenue.

(d) Clause 4.6 in Chapter XXIV of the Establishments Code of the Republic of Sri Lanka

Staff Loans totaling Rs.33,711 due from 16 officers who were in service of the Sabha and left on transfers and vacated post had not been recovered.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2015 amounted to Rs. 13,292,071 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,411,275.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

(a) While Rates in Arrears receivable to the Pradeshiya Sabha Fund relevant to past years as at 31 December 2015 was Rs. 2,729,109, out of the revenue billed for the year under review, a sum of Rs. 2,884,466, that is 94%, was in arrears as at that date.

(b) A sum of Rs. 112,700 as rent and fines for non-payment of rent properly by the lessee for the period from March to December 2014 for the Fish board No. 02 was due to be recovered to the Sabha.

2.2.2 Courts Fines and Stamp Fees

A sum of Rs. 3,845,558 on account of Courts Fines and a sum of Rs. 1,875,549 on account of Stamp Fees were due to recovered as at 31 December 2015 from the Chief Secretary to the Provincial Council and other authorities.

3. Operating Review

3.1 Operational Inefficiencies

While 02 Public Latrines belong to the Sabha in the building situated in front of the CTB Bus Stand and in another private building which could be used for earning income are managed by two outside individuals without permission, it was observed that the expenditure for supply of necessary water for the latrines and work relevant to removal of rubbish are met by the Sabha.

3.2 Solid Waste Management Project

The Sabha had taken action to dump garbage and solid waste collected daily to an area linked with Mahawely River without being used the Garbage Management Project Building constructed having spent a sum of Rs. 9,026,621 during the year 2014 on the basis of provisions of the National Solid Waste Management Centre of the Ministry of Local Government and Provincial Councils and the Huller Machine valued at Rs. 334,132 received for that.

3.3 Contracts Administration

While an iron fence with wire nets had been constructed after planning, in place of an elephants fence for the Garbage Project Building constructed in an area where wild elephants live, the loss occurred due to damages caused to it by wild elephants had been Rs. 2,904,702. Although a sum of Rs. 237,203 had been paid to the contractor for construction of a well for the Garbage Project, a well had not been constructed.

4. Good Governance and Accountability

4.1 Budgetary Control

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

4.2 Annual Procurement Plan

Although an Annual Procurement Plan should be prepared and used by the Pradeshiya Sabha, such action had not been taken.

4.3 Internal Audit

An adequate internal audit had not been carried out for the year 2015.

4.4 Implementation of Audit and Management Committee

Audit and Management Committees had not been established during the current year.

4.5 Assets Management

Idle and Under-utilized Assets

There were no drivers for 18 vehicles belong to the Sabha and therefore those vehicles had been under-utilized.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contracts Administration
- (e) Stores Control.