

Megahakula Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2016 had been submitted to audit on 03 April 2017 while the Financial Statements relating to the preceding year had been submitted on 28 March 2016. The Auditor General's report relating to the year 2016 was issued to the Secretary of the Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Meeghakiula Pradeshiya Sabha as at 31 December 2016 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 Polices

- (a) Accounting policy for valuation, pricing and accounting of closing stocks had not been disclosed.
- (b) Accrual basis accounting treatment had not been disclosed.

1.3.2 Accounting Deficiencies

The following deficiencies are observed.

- (i) Fixed deposits worth Rs.833,000 had not been accounted for.
- (ii) A sum of Rs.798,968 payable to the Local Government Pension Fund as at 31 December had been omitted in the Financial Statements.
- (iii) Security deposits of 12 employees relating to the year under review amounting to Rs.21,300 had not been accounted for.
- (iv) The value of Machinery & Equipment and Furniture purchased had been overstated in the Financial Statements by Rs.129,320.
- (v) Provision for audit fees for the year under review had not been made.
- (vi) Allocation for creditors had been overstated by Rs.1,793,858.
- (vii) Suspense account balance of Rs.385,534 had not been cleared.

1.3.3 Un-reconciled Control Accounts

Although according to the financial statements as at 31 December 2016, balances in the general deposit was Rs.1,228,859, this value as per the register of general deposits was Rs.973,215.

1.3.4 Accounts Receivable and Payable

Action had not been taken to recover/ settle the accounts receivables and payable as at 31 December amounting to Rs.14,695,222 and Rs. 7,275,280 respectively.

1.3.5 Lack of Evidence for Audit

Seven items of accounts valued at Rs.103,885,122 could not be satisfactory vouched in audit due to non-rendition of necessary information.

1.3.6 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations etc.	Non-compliance
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(b) Section 132 (a) and (d) of Pradeshiya Sabha Act No. 15 of 1987	Expenditure aggregating Rs.167,725 had been spent from the Fund of the Sabha without obtaining approval.
(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 (i) Rule 5(7)	Internal audit had not been carried out.
(ii)Rule 217 and 218	Boards of Survey on lands and buildings had not been conducted.
(c) Financial Regulation 371 of the Government of the Democratic Socialist Republic of Sri Lanka.	Although advances aggregating Rs.494,051 were granted in 05 instances to 02 Rural Development Societies, the works had not been completed and the advances had not been recovered.
(d) Gazette Notifications	

(i) Gazette No. 2361 dated 04 December 2015 of the Democratic Socialist Republic of Sri Lanka	Annual fee of Rs.15,000 for the year 2016 on five transmission towers had not been Recovered.

- (ii) Gazette No.1946 of 08 December 2015 of the Democratic Socialist Republic of Sri Lanka
- Charges for 14 Advertisements Board had not been recovered.
- (e) Circular Provisions.

Public Administration Circulars No. 09/2009 and 09/2009(1) of 16 April 2009 and Circular No 3/2016 of 23 September 2016 of Chief Secretary to the Uva Province.
- The arrivals and departures of the Council's staff had not been confirmed by using finger print machine.

2. Financial Review

2.1 Financial Results

According to the financial statements presented the excess revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 1,537,026 while the corresponding excess revenue over recurrent expenditure for the preceding year amounted to Rs. 3,338,210.

2.3 Revenue Administration

2.3.1 The Performance in Revenue Collection

Receivable arrears income to the Sabha's Fund was Rs.994,229 and out of the billed income for the year under review, Rs.798,432 or 28 per cent was in remained outstanding.

2.3.2 Rent for Trade Stalls

Even though the agreements for 22 trade stalls were entered based on the new assessments received in the years 2014 and 2015, the rental for those trade stalls had been recovered based on the assessment of the year 2010, thus the rental had been recovered by understating Rs.198,075.

2.3.3 Courts Fines and Stamp Fees

Court fines and stamps fees of Rs.2,350,000 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2016.

3. Operating Review

3.1 Management Inefficiencies

Charges for 104 registered three wheelers which were in 04 three-wheel parks had not been recovered by imposing By-laws.

3.2 Operating Inefficiencies

Six construction works planned to implement under the capital programs by spending Rs.5,060,176 had not been implemented.

3.3 Idle and Under-Utilized Assets

Two vehicles belong to Sabah and building of Dolomite Project had been kept in idle for the period from 5 to 18 years respectively.

3.4 Solid Waste Management

The garbage collected by the Sabha had been released to an open hill area in 10 mile post of the Sabha instead of implement the solid waste management.

4. Accountability and Good Governance

4.1 Budgetary Control

Budget had not made use of a control tool in the management of revenue and expenditure of the year under review.

4.2 Annual Procurement Plan

Annual Procurement Plan had not been implemented in the year under review.

4.3 Implementation of Audit and Management Committees

Audit and Management Committees had not been implemented in the year under review.

5. Systems and Controls

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

- (a) Fixed Assets
- (b) Vehicles Control
- (c) Accounting
- (d) Debtors and Creditors
- (e) Stores Administration
- (f) Granting Advances.