

Ella Pradeshiya Sabha
Badulla District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

Financial Statements for the year 2016 had been submitted to the Audit on 27 March 2017 while Financial Statements relating to the preceding year had been submitted on 24 March 2016. The report of the Auditor General 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 of 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 Ella Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.1 **Comments on Financial Statements**

1.3.1 **Accounting Polices**

The Accounting Polices applied in valuing and accounting the closing stocks had not been disclosed.

1.3.2 **Accounting Deficiencies**

The following accounting deficiencies were observed in audit.

- (a) Interest on staff security deposit of Rs.11,036 and interest on investments of Rs.63,750 had not been brought to the Financial Statements.
- (b) Staff security deposits and interest on security deposits as at the end of the year under review had been understated by Rs.111,636.
- (c) The iron net purchased but not utilized during the previous year valued at Rs.100,000 had not been accounted for as closing stock of the year under review.
- (d) Four items of assets purchased in the year under review valued at Rs. 152,650 had not been accounted for as fixed asset.
- (e) Unutilized 39 Iran Bar with the gage of 10 millimeters valued at Rs.56,940 had not been accounted for as closing stock.
- (f) Contributions of Rs.272,190 remitted to the Employee Provident Fund and Employee Trust Fund in the year under review had not been accounted for.
- (g) Closing stocks of Aurvedic Division had been understated by Rs. 73,628.

- (h) Although a sum of Rs.8,450,000 was paid to the Ella Divisional Secretariat during the year under review for acquired a land with an extent of 03 roods to construct Ella Economic Center at Maltharan Watta Hettipola, such amount had not been accounted for as advance.
- (i) Salaries paid in the year under review amounting to Rs. 1,128,107 had been accounted for as a capital expenditure.

1.3.3 **Accounts Receivable and Payable**

According to the financial statements presented, the value of accounts receivable as at 31 December of the year under review was Rs. 33,470,802 while the value of accounts payable had been 26,019,732.

1.3.4 **Lack of Evidence for Audit**

Five items of accounts valued at Rs. 69,537,474 could not be satisfactory vouched in the audit.

1.3.5 **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, Regulations etc

Non-compliance

- | | |
|---|---|
| (a) Sections 47(2)(1), (3)(1) and 49(b) of the Pradeshiya Sabha Act No 15 of 1987 | Legal actions had not been taken by the Sabha with regard to 84 un-authorized constructions. |
| (b) Section 8 a (1) of the Urban Development Authority Act No 4 of 1982. | A sum of Rs. 1,426,920 had been recovered as penalty due to construction of “Morning Dew” Tourist Hotel within the authorized area of the Pradesiha Sabha before obtaining the approval and legal actions thereon had not been taken. |
| (c) Pradeshiya Sabha (Financial and administrative) Rules of 1989 | |
| (i) Rules 14 and 127 | A sum of Rs.2,339,042 had been spent exceeding the limits of allocation without transferring the provisions among the items of expenditure. |
| (ii) Rule 29 | Even though all receipts of cash to the Pradesiya Sabha should be deposited daily, such receipts had not been deposited daily in the bank,. |

(d) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka.

(i) F.R.110

Register of Losses and Damages had not been maintained.

(ii) F.R. 751

Stocks registers including the details of all receipts and issues of goods had not been maintained.

(iii) F.R. 752 and 753

The goods had been issued without using the receipt and issue orders.

(e) Section 1.6 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

Staff loan amounting Rs.199,524 due from 05 officers who transferred out had not been recovered.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, excess revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.6,929,767 and the corresponding excess revenue over recurrent expenditure for the preceding year amounted to Rs.9,106,105.

2.2 **Revenue Administration**

2.2.1 **Performance on Revenue Collection**

The arrears income receivable to the Fund of the Sabha relating to previous years as at 31 December of the year under review was Rs.4,339,505 while out of the billed income, 44 per cent had been outstanding as at 31 December of the year under review.

2.2.2 **Shop Rent**

A shop rental of Rs.1,016,450 had been lost to the Sabha due to recovery of old assessed rental instead of being recovered newly assessed rental for the period of Augusts 2014 to December 2016 from the trade stalls in Wellaway Road, Police Road, Bandarawela Road and Ballaketuwa Road.

2.2.3 **Courts Fines and Stamp Fees**

Courts Fines and Stamp Fees receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2016 was Rs. 3,661,507.

3. **Operating Review**

3.1 **Evaluation of Performance**

- (a) Although implementation of water project by constructing 19 water tanks for the purpose of providing drinking water to the people living in 19 Division of the authorized area of the Pradesaya Sabha could be appreciated, a loss of Rs.5,526,532 had been incurred in the year 2016 due to exceeding the recurrent expenditure over income.
- (b) Though water supply facilities were provided to 1433 families from the water scheme, water meters had been affixed only for 155 families.
- (c) Even actions were taken to provide water supply for 1278 families, in more occasions an effective and efficient water supply had not been maintained.

3.2 **Management Inefficiencies**

- (a) Even though 78 cemeteries belonging to the Sabha, the title deeds for these cemeteries (land acquisition order) had not been obtained.
- (b) Actions had not been to acquire the lands which issued under the Village Ordinance to the Pradesay Sabha to date.

3.3 **Ideal / Under-utilized Assets**

- (a) A generator, diesel water motor and garbage grinder had been lying idled at the stores premises since 2011.
- (b) A building completed partially by spending Rs. Rs.2,222,335 in the year 2014 had been got earth slip and lying idle since the year 2014 without being utilized.

3.4 **Uneconomic Transactions**

A loss of Rs.139,000 had been incurred due to purchase of sand in 03 instances during the month of June 2016 from the supplier who submitted high price greater than 192 per cent as compared with the price of selected supplier.

3.5 **Contract Administration**

A sum of Rs.352,338 have to be paid to the contractor from the Sabha Fund as a result of failure to submit the bills for entire value of completed works after completing the construction works of the improvement of road near Naulla School Paly Ground within the agreed period.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

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

4.2 **Annual Procurement Plan**

An Annual Procurement Plan had not been implemented.

5. **Systems and Controls**

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

- (a) Accounting
- (b) Inventory Control
- (c) Collection of Revenue
- (d) Control over Vehicles
- (e) Contract Administration