

Meegahakiwla Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted for audit on 02 April 2018 and the report of the Auditor General had been sent to the Chairman on the 30 August 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Meegahakiwla Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

The following were observed

- a) Machinery and furniture amounting to Rs.56,788 purchased in the preceding year was accounted as Rs.697,208 in the preceding year, as such Revenue Contribution to Capital Outlay Account had been overstated in an amount of Rs.640,420.
- b) Provisions for the audit fees in the year under review had not been made.
- c) An amount of Rs.4,639,621 that was provided as work creditors in the year under review, was not accounted as expenditure for the year as such liabilities and expenditure were understated by that amount.
- d) An amount of Rs.809,026 paid in the year under review as Pension Contribution to the Director General of Pension relating to the preceding year was accounted as an expenditure of the year under review as such the surplus had been understated by that amount.
- e) Interest revenue for fixed deposits amounting to Rs.80,400 relating to the year under review was not accounted as such the surplus had been understated by that amount. Father arrears of interest amounting to Rs.48,400 was not accounted.
- f) Although fixed deposits as at 31 December of the year under review amounted to Rs.880,000, it was accounted as 808,000 as such assets had been understated by Rs.72,000.

- g) Purchases and donations of library books amounting to Rs.134,712 had not been accounted in the library books account.
- h) Although stamp fees receivable as at 31 December of the year under review amounted to Rs.446,151 it was accounted as Rs.262,497 as such surplus relating to the year was understated by Rs.183,654.
- i) Although the provision of stamp fees amounting to Rs.744,876 in the preceding year should have been debited to the Accumulated Fund, a sum of Rs.262,498 had been credited .As such the Accumulated Fund had been understated by Rs.482,378.

1.3.2 Unreconciled Accounts

It was observed a difference of Rs.5,795,454 between the General Ledger Account balances of 8 accounting items and the Financial Operations Statement balance as at 31 December of the year under review.

1.3.3 Accounts Receivable and Payable

a. Accounts Receivable

At the end of the year under review, accounts payable balance amounting to Rs.19,196,168 includes miscellaneous revenue due for 5 years amounting to Rs.18,599,325, advance due for 4 years amounting to Rs.589,093, and members allowances reimbursable for 4 years amounting to Rs.7,750.

b. Accounts Payable

Miscellaneous creditors due for one year amounting to Rs.5,601,753 payable as at 31 December of the year under review was outstanding.

1.3.4 Lack of Written Evidence for Audit

Due to the lack of required information for audit 07 accounting items amounting to Rs.157,382,974 could not be satisfactorily vouched.

1.3.5 Non-compliances

1.3.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management decisions were shown below.

	Reference to Laws, Rules, Regulations and Management Decisions	Value	Non compliance
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		Rs.	
a)	Pradeshiya Sabha Act No.15 of 1987		
	i. Section 147(1) and No.1988 of the Gazette dated 16 December 2016		Trade License Fees collected to the period January to December of the year under review relating to 483 businesses were not recovered.
	ii. Sections 158, 159(1)	2,083,735	All revenue relating to the year under review was not recovered and credited to the Council Fund
b)	Urban Development authority Act No.41 of 1978 and Order 67 of No.392/9 Gazette dated 10 March 1986		Compliance certificate for 33 building plans out of 44 approved plans were not issued within the period 2014 to 31 December 2017
c)	1988 Pradeshiya Sabha (Financial and Administration)		
	i. Rule 214		The annual verification of the stocks belonging to the Council had not been done
	ii. Rule 218		The land and building belonging to the Council were not checked and reported to the Council.
d)	Section 1.6 of Chapter XVIV of Establishment Code of Democratic Socialist Republic of Sri Lanka	61,414	Action had not been taken to recover Loans from 4 workers who had left or retired from service
e)	Financial regulations of the Democratic Socialist Republic of Sri Lanka		
	i. Financial regulation 103(1)		The preliminary report relating to an accident occurred to a machinery belonging to the Council had not been submitted
	ii. Financial regulation 110		A damage and losses register had not been maintained.

- iii. Financial regulation 371 494,051 Action had not been taken to recovered advances paid in 5 occasions to two Rural Development Societies.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.4,106,235 and the corresponding surplus of revenue over recurrent expenditure for the preceding year amounted to Rs.1,537,025.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and arrears of Income for the year under review and the preceding year is stated below.

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Total arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Tax	1,149,040	1,149,040	996,023	153,017	1,047,000	1,047,000	864,880	182,119
(ii) Rent	2,627,263	2,627,263	1,752,916	874,346	3,191,100	3,491,100	1,671,907	1,819,192
(iii) License Fees	506,500	506,500	469,491	37,009	950,500	950,500	546,580	403,920
(iv) Other Income	146,655	146,655	146,655	--	387,219	387,219	60,576	326,643
Total	4,429,458	4,429,458	3,365,085	1,064,372	5,575,819	5,875,819	3,143,943	2,731,874

2.2.2 Performance of Revenue Collection

The total billed revenue for the year ended 31 December 2017 amounted to Rs.4.4 million while collected revenue amounted to Rs.3.4 million. However arrears of revenue amounted to Rs.1 million was as at the end of the year and in comparison to the preceding year the arrears of revenue was recovered up to 61 per cent.

2.2.3 Rent

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- a) Although the rent should be assessed on a Penta-annual basis according to Circular No.1980/46 dated 31 December 1980, of the Commissioner of Local Government was being recovering on the assessment done in the year 2011.
 - b) Although in 2015 assessment of shop rent was amended, rent were recovered according to the 2011 assessment as such the Council had lost a revenue amounting to Rs.8,433,660.

2.2.4 Court Fines and Stamp Fees

Action had not been taken to recover Court Fines and Stamp Fees to be taken from the Chief Secretary of the Provincial Council and other authorities amounts to Rs.2,400,000 and Rs.446,151 respectively as at 31 December 2017.

3. Operational Review

3.1 Performance

It was revealed after the analyzing of the execution of activities of the Pradeshiya Sabha in accordance with the Section 3 of Pradeshiya Sabha Act 1987 such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, welfare and development are given below.

a. By Laws

Although Bylaws should be enacted for 30 main functions as according to Section 126 of Pradeshiya Sabha Act of 1987, such were not done for 29 functions up to 31 December 2017.

b. Action Plan

An action plan for the year under review had not been prepared by the Council.

c. Solid Waste Management

The Council had not maintained a solid waste management system and dumped waste to open place in hilly area at 10th mile post contrary to National Environmental Act No.47 of 1980 amended by No.56 of 1988 and No.53 of 2000 and No 1534/18 Gazette dated 01 February 2008.

d. Sustainable Development Goals

Due to the Council not being aware of 2030 agenda of Goals of Sustainable Development Goals, the global view of such purposes for a long term plan to enhance the living standards

and health of the people living in the area of authority of the Council had not been initiated up to 23 May 2018.

3.2 Management Inefficiencies

Although daily collection should be banked in same day according to Section 130 of 1987 Pradeshiya Sabha Act No.15 and Rule No 29 of Pradeshiya Sabha (Financial and Administrative) , 1988 a shop rent amounting to Rs.119.690 collected by the Revenue Inspector on 01 February 2017 in the field had not been banked.

3.3 Human Resource Management

There were 06 vacancies and 08 excess in the cadre of the Council as at 31 December of the year under review.

3.4 Asset Management

3.4.1 Idle and Under-utilized Assets

A tractor, a building of the Dolomite Project and a double cab belonging to the Council had been idle since 05 to 10 year.

3.5 Procurement

3.5.1 Procurement Plan

A procurement plan had not been prepared by the Council for the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed that there were considerable variations in the budgeted revenue and expenditure for the year under review with the actual revenue and expenditure and that indicating the budget had not been used as an effective instrument of management control.

5. System and Control

Weakness observed in audit had been informed to the Council time to time and special attention is needed in the following areas of control.

	System -----	Weakness -----
a.	Accounting	<ul style="list-style-type: none"> i. Suspense Account balance not been reconciled. ii. Schedule not presented for the corresponding account balances.
b.	Fixed Assets	<ul style="list-style-type: none"> i. Not maintaining a Fixed Assets Register, and entered vehicles and machinery received as donation in to Fixed Asset Register. ii. Certain fixed assets remain idle. iii. Vehicle Running Chart not maintained.
c.	Stock Control	<ul style="list-style-type: none"> i. Stocks not stored suitably ii. Not using issue orders when issuing goods.
d.	Loan Control	<ul style="list-style-type: none"> i. Not confirming balances of creditors and debtors. ii. Not maintaining registers. iii. Not maintaining debtor control account.
e.	Contract Control	<ul style="list-style-type: none"> i. Not recovering advance given for projects that were not started. ii. Not settling advance paid for projects that were abandoned.