

**Mahiyanganaya Pradeshiya Sabha
Badulla District**

1. Financial Statements

1.1 Presentation of the Financial Statements

The Financial Statements of the year 2019 had been presented to the audit on 24 February 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the chairman on 06 July 2020 and 23 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of this report, the financial statements give a true and fair view of the financial position of Mahiyanganaya Pradeshiya Sabha as at 31 December 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

a) Accounting Deficiencies

Audit observation

Recommendation

**Comments of the
Accounting
Officer**

As at 31 December of the year under review, 3 buildings amounting to Rs. 13,473,753 had not been accounted.

It should be accounted correctly.

Will be corrected in the financial statements of 2020.

(b) Lack of evidence for Audit

Audit observation

Recommendation

**Comments of the
Accounting Officer**

Title deeds, plans, transfer orders and formal assessment reports relating to Land & Building amounting to Rs. 8,263,052 had not been presented to the audit.

Evidence confirming account balances should be presented.

Requests have been made to the Land Commissioner General, divisional secretariat and Housing development authority for transferring the legal ownership of lands, but actions have not been taken to transfer yet.

1.4 Non compliance

Non compliance with laws, rules, regulations and management decisions.

	Reference to laws, rules regulations and management decisions	Non compliance	Recommendation	Comments of the Accounting Officer
(a)	<u>Pradeshiya sabha act No. 15 of 1987</u> Sec. 126(a), 122 and Sec. 39 of the by-law of gazette notification No. 520/7 dated 23 August 1988	Although the places that show advertisement boards should be identified and collected fees, Fees amounting to Rs. 264,400 had not been collected from 71 places identified for the year 2019.	Arrears of fees should be recovered.	Fees have been recovered from the advertisement boards that should have paid to the Sabha.
(b)	<u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
(i)	Financial Regulation 104	Regarding 5 vehicle accidents in the previous year had not been investigated and reported.	Action should be taken in accordance with Financial Regulations.	It has been delayed to obtain the prices for repairing and to obtain the justification report.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 has been Rs. 8,576,509 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 11,935,268.

2.2 Revenue Administration

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

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	Estimated Revenue	2019			2018			Arrears as at 31December	Arrears as at 31December
		Revenue Billed	Revenue collected	Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue collected		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
I Rates and Taxes	4,000,000	3,001,655	2,172,110	829,545	3,031,235	3,031,235	2,343,601	687,634	
ii Rent	2,365,200	2,479,200	1,997,080	482,120	2,221,200	2,221,200	1,853,800	377,400	
iii Water charges	4,000,000	4,920,200	3,871,534	1,048,666	4,200,000	4,857,452	3,771,596	1,085,858	
Total	<u>10,365,200</u>	<u>10,401,055</u>	<u>8,040,724</u>	<u>2,360,331</u>	<u>9,452,435</u>	<u>10,109,887</u>	<u>7,968,997</u>	<u>2,150,892</u>	

2.2.2 Performance in Revenue Collection

Audit observation

Arrears of revenue amounting to Rs. 21,302,139 that had elapsed more than 3 years had not been recovered.

Recommendation

Arrears of revenue should be recovered.

Comments of the Accounting Officer

Nearly Rs. 256,000 of arrears has been recovered. Action will be taken to recover the remaining balance.

2.2.3 Court Fines and Stamp Fees

Audit observation

Arrears of Court fines amounting to Rs. 2,428,933 and arrears of Stamp fees amounting to Rs. 2,500,000 due as at 31 December of the year under review had not been recovered.

Recommendation

Arrears of Court fines and arrears of Stamp fees should be recovered.

Comments of the Accounting Officer

Schedules for Court Fines and Stamp Fees have been prepared and sent. Rs. 1,217,253 of the arrears of Stamp fees has already been received.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

(a) **By-laws**

Audit observation	Recommendation	Comments of the Accounting Officer
----- Although by-laws should be imposed for 30 purposes under section 126 of the Pradeshiya Sabha Act, by-laws have not been imposed for 10 purposes as at 31 December of the year under review.	----- By-laws should be imposed for the purposes that by-laws have not been imposed yet.	----- By-laws have been prepared and sent to the department of local government.

(b) **Action Plan**

Audit observation	Recommendation	Comments of the Accounting Officer
----- Action plan had not been prepared for the year under review.	----- Action plan should be prepared.	----- Action will be taken to prepare an Action plan.

(c) **Sustainable Development Goals**

Audit observation	Recommendation	Comments of the Accounting Officer
----- Although there was awareness with regard to “Sustainable Development Agenda-2030” of the United nations, Indexes for measuring sustainable objectives and goals which could be applied to the Sabha had not been identified.	----- Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.	----- A training regarding sustainable objectives and goals is required for the officers.

3.2 **Deviation from Intended Use of Assets**

Audit observation	Recommendation	Comments of the Accounting Officer
----- The weekly fair building which had been completed spending Rs. 3,586,027 in the year 2016 had been used to store wastes separately.	----- It should be used for the intended use of construction.	----- Since there has not been sufficient space in the building for conducting the weekly fair, It has been used to store wastes separately.

3.3 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
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(a) Rent amounting to Rs. 4,098,290 of 51 shops of general market and trade complex had not been collected.	Arrears of rents should be recovered.	After getting the approval for the lease agreements from the minister in charge of the subject, these arrears will be recovered.
(b) As at 31 December of the year under review, Arrears of backhoe loader income and gully bowser income amounting to Rs. 247,806 had not been recovered.	Arrears of revenue should be recovered.	Arrears of revenue due from two institutes have been already recovered and action will be taken to recover the arrears due from remaining two institutes.
(c) Creditors amounting to Rs. 11,330,039 that had elapsed more than three years had not been settled.	Action should be taken to settle.	86 percent has already been settled and action will be taken to settle the rest.

3.4 Operational Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken to acquire 52 cemeteries in the Sabha area.	Action should be taken to acquire.	Action will be taken to acquire.

3.5 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
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14 vacancies of 8 positions in approved cadre had not been filled as at 31 December of the year under review.	Essential vacancies should be filled.	The commissioner of Local Government has been informed regarding vacancies.

3.6 Internal Audit

Audit observation	Recommendation	Comments of the Accounting Officer
----- An internal audit had not been conducted in the year under review.	----- An internal audit should be conducted.	----- It is not able to comment regarding not conducting an internal audit by the internal audit department.

4 Accountability and Good Governance

4.1 Audit and Management Committee

Audit observation	Recommendation	Comments of the Accounting Officer
----- Only 02 Audit and Management Committee meetings had been held in the year under review.	----- Audit and Management Committee meetings should be held at least once in a quarter.	----- Audit and Management Committee meetings will be held properly.