

Madulla Pradeshiya Sabha
Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 01 July 2014 and the financial statements for the preceding year had been presented on 07 August 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 27 August 2014.

1.2 Opinion

In my opinion except for the effects on the financial statements of the matters referred to in my report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Madulla Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

The financial statements of the year under review had not been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

1.3.2 Accounting Deficiencies

The following observations are made.

- (a.) Interests received on the Inter-Village Maintenance Account amounting to Rs.18,851 and the interest of Rs.525,758 received on fixed deposits account in which the money received from inter-villages are deposited as at end of the year under review had not been brought to account.
- (b.) The value of the Obbegoda Library building owned by the Sabha had not been assessed and brought to account even during the year under review.
- (c.) Aid works amounting to Rs.1,038,402 receivable as at end of the year under review had not been brought to account.
- (d.) The value of 385 library books donated for the libraries owned by the Sabha during the previous years had not been ascertained and brought to account.
- (e.) Provision had not been made in the accounts in respect of sundry creditors amounting to Rs.187,141 payable at end of the year under review.
- (f.) Provision had not been made in the accounts in respect of audit fees amounting to Rs.128,811 payable for 07 previous years.

1.3.3 Unreconciled Control Accounts

The total of the balances of 03 items of accounts as per financial statements amounted to Rs.36,715,260 and the balance was Rs.34,903,933 as per subsidiary registers.

1.3.4 Accounts Receivable

Action had not been taken to recover employees loans amounting to Rs.36,904 due from 06 employees as at end of the year under review.

1.3.5 Lack of Evidence for Audit

Three items of assets totaling Rs.23,663,140 and 02 items of liabilities amounting to Rs.19,956,560 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.6 Non-compliance with Laws, Rules and Regulations

Non-compliance with following laws, rules and regulations were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Pradeshiya Sabha Act No.15 of 1987 ----- (i.) Section 49 and 52 (ii.) Section 136 (iii.) Section 158 and 159	- Necessary action had not been taken to remove 04 unauthorized transmission towers constructed within the building limits. - Action had not been taken to get assess the rent of the stalls owned by the Sabha from the Department of Valuation. - Action had not been taken to recover revenue in arrears totaling Rs.25,173,986 as at end of the year under review.
(b.) Financial Regulation 237(b) of the Democratic Socialist Republic of Sri Lanka	- Stock certificates had not been submitted in respect of purchases valued at Rs.140,530 done at 07 instances during the year under review.
(c.) Gazette Extra-ordinary No.1597/8 dated 12 April 2009 of the Republic of Sri Lanka Paragraph 6 of Annex V	- Action had not been taken to recover charges at Rs.10,000 per each 05 Meters in respect of 03 unauthorized towers constructed.

2. Financial and Operating 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 2013 amounted to Rs.832,060 as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,694,302 for the preceding year.

2.2 Revenue Administration

2.2.1 Court Fines and Stamp Fees

Money receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	445,664
Stamp Fees	583,656

2.3 Surcharges

Surcharges of Rs.32,697 levied by me in terms of Section 172(3) of the Pradeshiya Sabha Act No.15 of 1987 against the persons responsible had been recoverable as at 31 December 2013.

2.4 Budgetary Control

Significant variances were observed between the income and expenditure estimated through the budget prepared by the Sabha for the year under review and the actual income and expenditure of the year. Therefore, the budget had not been made use of as an effective tool of controlling income and expenditure.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Budgetary and Control
- (d.) Revenue Administration