

Medagama Pradeshiya Sabha
Moneragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 23 May 2014 and the financial statements for the preceding year had been presented on 12 April 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

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 the Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Medagama Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Decrease in Net Assets

According to the financial statements presented, the decrease of net assets as at end of the year under review amounted to Rs.49,391,081.

1.3.2 Accounting Deficiencies

- (a) Provision had not been made under creditors in respect of expenditure amounting to Rs.16,220 payable for the year under review.
- (b) Security deposits amounting to Rs.72,500 had been kept for obtaining fuel and water and it had not been settled as at end of the year under review and had been accounted under investments.

1.3.3 Lack of Evidence for Audit

Two items of assets totaling Rs.34,513,413 and a liability amounting to Rs.18,622,635 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.4 Non-compliance with Laws, Rules and Regulations etc.

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

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) <u>Pradeshiya Sabha Act No.15 of 1987</u> (i) Section 19(1)(1)	Two persons had been recruited for labourer posts without the written prior approval of the Commissioner of Local Government and salaries and allowances amounting to Rs.114,290 had been paid during the year under review.

(ii) Section 132(J) and (L)

Although the Sabha had spent a sum of Rs.300,810 from the Sabha funds for various activities and constructions, the approval of the Minister had not been obtained.

(iii) Section 158 and 159

Action had not been taken to recover revenue in arrears totaling Rs.1,962,415 as at end of the year under review.

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 of the year under review amounted to Rs.4,981,372 as compared with the excess of revenue over recurrent expenditure amounting to Rs.3,497,810 for the preceding year.

2.2 Revenue Administration

2.2.1 Five stalls of the two storied building constructed in the Medagama Town by the Urban Development Authority under the provisions of the Provincial Council had been handed over to the Sabha and the date of handing over had not been mentioned. But, these stalls had not been leased out even by 28 February 2014; the date of audit examination and therefore, the Sabha had deprivation of the assessed income of Rs.408,600 during the year under review.

2.2.2 Lease Rent

According to Section 03 of the lease agreement of the weekly fair, fresh water fish market and sea fish market No.01 and No.02, the lease instalment should be paid to the Sabha on or before the last day of each month. However, action had not been taken to recover delay charges amounting to Rs.289,282 due from the defaulted lessees.

2.2.3 Court Fines and Stamps 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.

	<u>Rs.</u>
(i) Court Fines	873,382
(ii) Stamp Fees	380,149

2.3 Surcharges

Surcharges amounting to Rs.43,923 levied by me during the preceding years in terms of the provisions of Section 172(3) of the Pradeshiya Sabha Act No.15 of 1987 against the persons responsible were receivable as at 31 December 2013.

2.4 Contract Administration

A provision of Rs.60,000 had been made under Provincial Specific Development Grants for the year under review to supply water to the Bakinigawela Keenagoda Junior School. It had been informed to the School Development Society of the school on 18 April 2013 to carry out the construction works. But, the School Development Society had informed their inability to do the constructions. However, action had not been taken to get the construction works done through any other registered voluntary organization in the area.

2.5 Solid Waste Management

Medagama Pradeshiya Sabha had incurred an expenditure of Rs.3,765,979 from year 2005 to 2010 to implement a solid waste management project on grants received by various institutions. A physical examination carried out on 24 February 2014 revealed that the project had been terminated due to non-availability of an adequate collection of waste materials suitable for the production of compost.

2.5 Budgetary Control

There were significant variances 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 instrument of controlling income and expenditure.

3. Systems and Controls

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

- (a) Internal Control
- (b) Revenue Administration
- (c) Budgetary Control