

Madulla Pradeshiya Sabha

Moneragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 March 2016 while Financial Statements relating to the preceding year had been submitted on 6 July 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 23 June 2016.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Medulla Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Action had not been taken to get assessed the value of 37 plots of land belong to Sabha by a qualified assessor and account the reasonable value.

- (b) Action had not been taken to get the assessed value of 6 plots of land and 12 buildings belong to Sabha accounted in the financial statements by a qualified assessor and account the reasonable value.

1.3.2 Contingent Liabilities

Disclosure had not been made in the financial statements with regard to case No. 1618 filed against the Sabha in the Moneragala District Court with regard to trade stalls in the Makulla Bus Stand.

1.3.3 Non-reconciled Control Accounts

While total of balances relevant to 06 items of accounts according to financial statements was Rs. 9,887,533, balance according to the subsidiary registers had been Rs. 10,022,780.

1.3.4 Lack of evidence for Audit

An Asset Item amounting to Rs. 60,268,860 and an item of Liabilities amounting to Rs. 283,271 could not be satisfactorily vouch in audit due to non-submission of required information to audit.

1.3.5 Non-compliance with Laws, Rules and Regulations.

Following instances of non-compliance with Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations of the Republic of Sri Lanka	

F.R. 71	Twenty eight employees served on casual and substitute basis in the Sabha had been given permanent appointments to the posts of Driver, Machine Operator, Watcher, Sanitary Laborer Librarian, and Road Laborer, outside the approved cadre, contrary to Public Administration Circular No. 25/2014 dated 12 November 2014.
(b) Public Service Provident Fund Ordinance No. 18 of 1942 as amended by Act No. 17 of 2003.	Although contributions as 8 percent from non-pensionable and temporary employees and 12 percent as Sabha contributions of the monthly salaries should be remitted to the Public Service Provident Fund, payments amounting to Rs. 29,614 had been made as contributions to the Employees Provident Fund and Employees Trust Fund on behalf of a driver served on casual basis for the period from January to April 2015.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year under review ended 31 December amounted to Rs.4,262,414 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year according to the Financial Statements presented as at 31 December amounted to Rs. 2,728,319. Accordingly the net increase in the financial results had been Rs. 1,534,095.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue totaling Rs. 534,204 as at the end of the year under review had not been recovered according to provisions in Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Court Fines and Stamp Fees

A sum of Rs. 689,420 on account of Court Fines and a sum of Rs. 1,422,823 on account of Stamp Fees were due to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

2.2.3 Telephone Tower Charges

Action had not been taken to recover an annual tax for 6 transmission towers erected in the area of authority by various telephone companies according to provisions in Section 152 of the Pradeshiya Sabha Act No. 15 of 1987, even up to end of the year under review.

2.3 Surcharges

A sum of Rs. 32,697 was due to be recovered as at 31 December of the year under review in connection with surcharges imposed by me against the persons responsible, in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.

3. Operating Review

3.1 Operational Inefficiencies

Following matters are observed.

- (a) Salaries and allowances had been paid to 34 employees engaged in excess of the approved cadre relevant to 9 posts during the year under review.

- (b) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of payment of fees, in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power, an expenditure of Rs. 439,500 had been incurred for that out of the Sabha Fund during the year under review, without taking action accordingly.
- (c) Although 100 waste bins of 20 liters capacity had been provided to the Sabha on 08 November 2013 vide letter No. 12 and 05/waste bins dated 08 November 2013 of the Commissioner of Local Government, 93 waste bins had been withheld in the stores without being issued even as at 06 May 2016

3.2 Contract Administration

Although 8 contracts had been completed on direct labor basis having spent a sum of Rs. 1,256,981 during the year under review, estimates, material cost analysis, work completion reports had not been prepared for that.

4. Good Governance and Accountability

4.1 Budgetary Control

According to material variances reflecting between the estimated revenue and expenditure through the budget prepared for the year under review by the Sabha and the actual revenue and expenditure for the year, the Budget had not been made use of as an effective tool of revenue and expenditure control.

4.2 Fulfillment of Environmental and Social Responsibilities

Although every Public Institution in fulfillment of own vision and mission should identify Environmental and Social Responsibilities relevant to that institution and follow strategy for fulfillment of those, a methodology had not been prepared and implemented by the Sabha for identification of their Environmental and Social Responsibilities.

4.3 Annual Procurement Plan

An Annual Procurement Plan had had not been prepared for the year under review by the Sabha.

4.4 Internal Audit

An adequate internal audit had not been carried out through the Internal Audit Unit of the Provincial Council.

4.5 Audit and Management Committee

Action had not been taken to establish Audit and Management Committees in terms of Internal Audit Guidelines Circular No. DMA/2009/(1) dated 9 June 2009 of the Management Audit Department, even up to the year under review.

5. Systems and Controls

Special attention is needed in the following areas of controls.

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