

Moneragala Pradeshiya Sabha

Moneragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 28 2016 while Financial Statements relating to the preceding year had been submitted on 27 March 2015. The Auditor General's Report relating to the year under review was issued 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 Moneragala Pradeshiya Sabha as at 31 December 2015, its financial performance for the year then ended and cash flows 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 account for the cost or having identified the reasonable value of the Old Fire Extinguish Vehicle belongs to the Sabha of which date of receipt not revealed.
- (b) Although the Local Government Pension Fund Contributions Payable at the end of the year under review was Rs.2,813,108, it had been accounted as Rs. 115,478, understating in a sum of Rs. 2,697,630 in the accounts.
- (c) Action had not been taken to get assessed the value of 67 plots of land belong to Sabha by a qualified assessor and account the reasonable value.
- (d) Action had not been taken to delete from the accounts, the value of 3 buildings valued of Rs.755,260 belong to the Sabha removed during past years.
- (e) Although the cost or the reasonable value of Vehicles and Machinery and Equipment should be accounted, insured value amounting to Rs.. 28,592,202 of Vehicles and 4 Machineries belong to the Sabha had been accounted.

1.3.2 Non-reconciled Control Accounts

While total of balances relevant to 04 items of accounts according to financial statements was Rs. 3,049,734 balance according to confirmation certificates and schedules had been Rs. 2,972,026.

1.3.3 Accounts Receivable

Following matters are observed.

- (a) Action had not been taken to recover the sum of Rs. 4,771,469 which was being brought forward over a number of years, due from the Ceylon Electricity Board on account of taking over the Electricity Section possessed by the Sabha during the year 1987.
- (b) Action had not been taken to recover the initial deposits amounting to Rs. 1,178,375 to be recovered from 11 stalls in leasing out the 55 stalls constructed during the years 1989 and 1990 by the Urban Development Authority and transferred to the Sabha.
- (c) Action had not been taken to recover Staff Loans amounting to Rs. 381,000 due from 31 officers and employees remained un-recovered over a number of years.

1.3.4 Accounts Payable

- (a) Action had not been taken during the year under review too, to settle the sum of Rs. 4,872,912 payable in respect of the trade stalls constructed and handed over to the Sabha by the Urban Development Authority during the years 1989 and 1990.
- (b) Action had not been taken to settle Arrears of Local Government Pension Payable at the end of the year under review amounting to Rs. 2,813,108 during the year under review too.

1.3.5 Lack of Evidence for Audit

Value of 02 Items of Assets totaling to Rs.71,419,477 could not be satisfactorily vouched in audit due to non-submission of required Information to Audit.

1.3.6 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

(a) Pradeshiya Sabha Act No. 15 of 1987

(i) Section 49

Without approval of the Planning Committee, 13 Transmission Towers had been constructed by various Telephone Companies.

(ii) Section 132 (a) and (k)

An expenditure of Rs. 110,620 had been incurred out of the Sabha fund for providing Pre-school Equipment without sanction of the Minister.

(b) Financial Regulations of the Republic of Sri Lanka

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Eighteen employees served on casual and substitute basis in the Sabha had been given permanent appointments to the posts of Library assistant, Field Laborer, Sanitary Laborer, Watcher and Machine Operator, outside the approved cadre, contrary to Public Administration Circular No. 25/2014 dated 12 November 2014.

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. 20,469,473 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 15,709,693. Accordingly the net increase in the financial results had been Rs. 4,759,780.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue totaling Rs. 40,970,234 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 Rates

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- (a) While the Rates Revenue billed during the year under review was Rs. 12,054,315, a sum of Rs. 2,917,066 had been collected even as at the end of the year under review. While it had been a low percentage such as 24 per cent and accordingly recovery of Rates had been at a very low level.
 - (b) While the balance of Rates in arrears as at 01 January of the year under review was Rs. 18,881,615, a sum of Rs. 4,867,402 had been recovered out of that arrears during the year. Accordingly, percentage of recovery had been 23 per cent . Arrears of Rates had been gone up annually.
 - (c) Action had not been taken to recover a sum of Rs. 9,093,887 due to be recovered from 447 Rates Units having balances more than Rs. 10,000 for the year under review.

2.2.3 Lease Rent

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- (a) Action had not been taken to recover tax in arrears receivable for leasing out the Beef Stall No. 24 during the years 2010 and 2013 amounting to Rs. 228,613 and Rs. 1,137,132 respectively.
 - (b) Action had not been taken to assess the rent of 140 stalls belong to the Sabha in terms of provisions in the Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local government.

2.2.4 Court Fines and Stamp Fees

A sum of Rs. 1,131,182 on account of Court Fines and a sum of Rs. 2,416,692 on account of Stamp Fees were due from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

2.2.5 Other Revenue

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- (a) Although a charge not exceeding one percent of the receipts during the year preceding the relevant year should be recovered by the Local Government Institutions from hotels and lodging houses registered in the Sri Lanka Tourism Development in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987 and provisions in the Sri Lanka Tourism Development Authority Act No. 14 of 1968, after imposing by-laws, action had not been taken to recover such charges from three hotels and three lodging houses in the area of authority of the Sabha.

- (b) Action had not been taken even up to the end of the year under review to levy an annual tax on 13 Transmission Towers constructed by various telephone companies in the area of authority of the Sabha during the years from 2005 to 2012 in terms of provisions in Section 152 of the Pradeshiya Sabha Act No. 15 of 1987.

2.3 Surcharges

A sum of Rs.922,195 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. Operational Review

3.1 Operational Inefficiencies

Following matters are observed.

- (a) Twenty employees had been engaged in service more than the approved cadre relevant to 7 posts.
- (b) Action had not been taken to sell 753 waste bins valued at Rs. 207,828 out of 800 plastic waste bins of 20 liters received from the Ministry of Local Government on 20 November 2013 even up to 28 April 2016.
- (c) Action had not been taken to distribute 60 plastic waste bins provided through the Local Government Department on 09 December 2013 for distribution among low income group families.
- (d) Although Local Government Institutions should function as a service provider for operation and maintenance of street lamps on the basis of payment of charges for operation and maintenance of street lamps in terms of clause 2 (I) of letter dated 17 August 2010 of the Secretary to the ministry of Power , an expenditure amounting to Rs. 991,005 had been incurred from the Sabha Fund without taking such action.
- (e) Action had not been taken to get back 32 galvanized pipes issued to two ex-Pradeshiya Sabha Members even up to 27 April 2016.

3.2 Assets Management

Idle and Under-utilized assets

The Backhoe Loader and the Yutan Road Roller received to the Sabha had been parked in the Sabha Ground without being used.

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 Annual Procurement Plan

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

4.3 Internal Audit

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

4.4 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