

Moneragala Pradeshiya Sabha
Moneragala District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 05 March 2019, the summary report of the Auditor General relating to those financial statements on 24 May 2019 and detailed management report on 28 May 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report the financial statements give a true and fair view of the financial position of the Moneragala Pradeshiya Sabha as at 31 December 2018 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
-----	-----	-----
(i) Building Plans Processing Charges amounting to Rs. 150,000 recovered during the preceding year had been shown in the Deposits Account without showing as an income.	Should be correctly accounted.	Suitable action will be taken during the ensuing year and will be correctly accounted.
(ii) Recurrent Expenditure amounting to Rs 107,335 relevant to the year under review had not been accounted and as a result, Amounts Payable and Expenditure for the year had been understated in the financial statements. to the extent of that value.	Should be correctly accounted.	Will be corrected in preparing accounts for the ensuing year.

(b) Non-reconciled Control Accounts.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although the balance payable to the Urban Development Authority had been shown as Rs. 4,872,912 in the Statement of Financial Position presented, according to the letter of confirmation of balance by the Urban Development Authority, it been shown as Rs. 67,611,000 and therefore a difference of Rs. 62,738,088 was observed.</p>	<p>Registers and schedules should be correctly updated, reasons for the difference should be ascertained and corrections should be made accordingly.</p>	<p>This balance had been accounted a number of years ago and therefore a schedule or age analysis is not available. According to the letter of confirmation dated 25-02-2019 received from the Urban Development Authority, Loan amount and interest payable amounts to Rs. 67,611,000. Action will be taken to remove the interest included in this amount.</p>

(c) Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Non-remission of confirmation of balances, agreements, schedules and age analysis relevant to 3 items of assets valued at Rs. 26,598,993 and updated schedules and age analysis relevant to an item of liability amounting to Rs. 4,872,912.</p>	<p>Evidence to confirm account balances should be furnished.</p>	<p>While documents for write off the jobs to be recovered have been referred to the Minister in charge of the subject, necessary course of action has been taken to write-off the arrears of other income from final accounts. Age analysis is being prepared at present. Action will be taken to settle the outstanding balance during the ensuing year and a sum of Rs. 2,320,000 has been already paid.</p>

1.4 Non-compliances

Non-compliance with Laws, Rules and Regulations.

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) 126 (vii)(h)	Action had not been taken to prepare by-laws and recover fees from vehicle parking places.	By-laws should be prepared and fees should be recovered.	A draft of by-laws has been prepared. Future action will be taken after getting approval.
(ii) Section 136	Action had not been taken to assess 139 stalls leased out and recover that assessed rent.	Assessed rent should be recovered.	Rent is being recovered on the basis of a temporary assessment made during 2015. Request has to be made to the Valuation Department for new assessments.
(iii) Section 139	Periodical reports had not been obtained for the purpose of identification for assessment of all properties situated in the limits liable for the recovery of rates.	Periodical reports should be called for the purpose of identification of properties for assessment.	Approval has not been received to obtain periodical reports for all properties. A temporary assessment will be made for new constructions.
(iv) Section 149	Charges had not been recovered from 4 hotels and lodging houses registered in the Sri Lanka Tourists Board or approved by that Board and situated in the area of authority of Sabha.	Charges should be recovered from approved hotels and lodging houses.	Reminding letters have been sent and Revenue Inspector was informed to take legal action.

(b) Establishments

Code of the
Democratic
Socialist
Republic of Sri
Lanka.

Clause 4 in
Chapter XXIV

Staff Loans totaling Rs. 260,307 brought forward over a period of more than 15 years and due to be recovered from 8 employees served in the Sabha had not been recovered.

Action should be taken to recover outstanding staff loans.

While officers traceable have been informed, action will be taken to write-off the balances of untraceable officers.

**(c) Extra Ordinary
Gazette No. 1597/8
dated 17 April 2009.**

Constructions relevant to 56 building plans approved during the year 2015 had not been inspected or certificates of conformity had not been issued.

Constructions should be physically inspected and Provisions in the gazette should be complied with.

While arrangements have been made through revenue inspectors to inform that certificates should be obtained, at the time of temporary assessments, all those who have completed constructions after getting approval will be informed to obtain certificates of conformity.

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 ended 31 December 2018 amounted to Rs. 13,289,271 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 23,853,827.

2.2 Revenue Administration

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

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
-----	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-----	-----	-----	-----	-----	-----	-----	-----	-----
(i) Rates and Taxes	12,869,609	11,970,956	6,227,817	5,743,139	13,226,173	11,945,130	5,138,154	6,806,978
(ii) Rent	12,583,950	2,610,077	2,608,135	1,942	16,385,419	2,531,500	2,506,583	24,917
(iii) License Fees	1,045,100	1,353,900	1,359,900	-	960,200	1,263,850	1,263,850	-
(iv) Other Revenue	1,089,000	-	20,405,302	-	9,988,000	-	16,458,842	-
Total	<u>27,587,659</u>	<u>15,934,933</u>	<u>30,601,154</u>	<u>5,745,081</u>	<u>40,559,792</u>	<u>15,740,480</u>	<u>25,367,429</u>	<u>6,831,895</u>

2.2.2 Performance in Revenue Collection

Audit Observation

Recommendation

Comments of the Accounting Officer

Out of total revenue billed amounting to Rs. 15,934,933 for the year under review, a sum of Rs. 5,745,081 had not been recovered by end of the year. It was 36 percent of the total revenue billed.

Arrears of revenue should be recovered.

While arrears of lease rent have been recovered, various programs are implemented to recover arrears of rates.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Out of Rates Revenue amounting to Rs. 11,970,955 billed for the year under review, a sum of Rs. 4,957,879 had not been recovered as at 31 December. It was 41 percent of the total billed value.	Arrears of rates should be recovered	Relevant establishments were informed to pay the arrears amounts and finalized.
(b) Out of arrears of Rates Revenue amounting to Rs.18,653,059 at the beginning of the year under review, a sum of Rs. 11,385,191 had not been recovered during the year. That unrecovered amount was 61 percent of the arrears at the beginning of the year.	Arrears of rates should be recovered	An action plan has been prepared to recover these arrears and action is being taken accordingly.
(C) Total arrears of Rates exceeding Rs. 10,000 due from 159 rates units as at 31 December of the year under review was Rs. 12,743,412.	Arrears of rates should be recovered.	Action will be taken to issue red notices and seize properties while mobile services will be conducted covering 6 divisions.

2.2.4 Renting Out Vehicles

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 71,220 due as Rs. 66,220 for the year 2012 and Rs. 5,000 for the year 2014 on account of hiring out motor grader belong to the Sabha had not been recovered.	Arrear amounts should be recovered.	Amounts which can not be recovered will be referred to the Minister in charge of the subject while action will be taken to recover the balance amounts.

2.2.5 Water Charges of Jeeloankanda Water Project.

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover arrears of water charges amounting to Rs. 824,950 remaining unrecovered since the year 2015.	Arrears of water charges should be recovered.	Revenue Inspector was informed to take steps to recover the amounts in arrears.

2.2.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court Fines amounting to Rs 1,936,443 and Stamp Fees amounting to Rs. 20,734,328 due as at 31 December of the year under review had not been recovered. .	Arrears of Court Fines and Stamp Fees should be recovered.	Relevant parties are being informed to settle these amounts.

2.3 Surcharges

Audit Opinion	Recommendation	Comments of the Accounting Officer
The amount due on account of surcharges imposed by me against the parties responsible in terms of provisions in the Pradeshiya Sabha Act as at 31 December of the year under review was Rs. 989,893.	Surcharges should be recovered from the relevant parties.	Action will be taken to get exemption for the deceased persons and recover the balance amounts.

3. **Operating Review**

3.1 **Performance**

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) **By-laws**

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act to perform 30 main tasks, by-laws had not been imposed for 7 tasks even as at 31 December of the year under review.	By-laws should be imposed for tasks for which By-laws have not been imposed.	By-laws will be imposed for priority tasks in due course.

(b) **Action Plan**

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
While an Action Plan had not been prepared for the year under review, it was observed that objective to be reached during the year and expected activities had not been identified. Therefore the possibility of evaluating annual performance had been lost	Annual Action Plan should be prepared	Action will be taken to rectify the lapse took place

(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 the sustainable development objectives and goals which could be applied to the Sabha had not been identified.	Indexes for measuring sustainable development objectives and goals should be identified and progress in reaching those should be measured accordingly.	Achieving goals at low and high levels are in progress by now.

3.2 Management Inefficiencies.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A survey of all vehicle parking places in the city had not been carried out.	A survey should be carried out.	Vehicle Parking Places have been identified by now.
(b) Although areas suitable for recovering rates had been identified during the year 2011, the Sabha had not paid attention to identify developed areas from time to time, in order to recover rates.	Developed areas should be identified from time to time and rates should be recovered accordingly.	A course of action will be implemented in conjunction with the implementation of city development plan.
(c) A full survey had not been carried out so as to cover all publicity advertisement boards established in the area of authority of the Sabha by various institutions and individuals.	A survey should be carried out covering the area of authority of the Sabha.	While boards fixed in main roads were identified, parties expected to fix boards during 2019 were summoned and those boards which could be exempted were exempted. Charges were recovered from the balance parties. Same action will be taken in the future as well.

- | | | | |
|-----|--|--|---|
| (d) | (i) While a survey of street lamps had not been carried out after 18 July 2016 in order to identify the number of street lamps, and their location etc., an updated register of street lamps had not been maintained for correct identification of places where street lamps are fixed. | While a survey of street lamps should be carried out soon and places established should be identified and updated register should be maintained. | Wish to inform that there is no report with regard to the survey and that register is being updated. |
| | (ii) While street lighting works had been implemented without paying attention to the instructions in the circular dated 17 August 2010 of the Secretary to the Minister of Power and Energy, an agreement had not been entered into in concurrence with the electricity board in this connection. | Attention should be paid with regard to the circular and an agreement should be entered into with the Electricity Board. | Instructions given by the Electricity Board will be complied with in the future. |
| (e) | A survey had not been carried out during the year under review with regard to unauthorized constructions in the area of authority of the Pradeshiya Sabha. Therefore it had not been possible to make a complete identification relating to unauthorized constructions. | A complete survey should be carried out soon with regard to unauthorized constructions. | Adequate numbers of officers are not available for the survey. Action will be taken in future to carry out the survey together with the officers of the Urban Development Authority and legal action will be taken. |
| (f) | Environmental Protection License had not been obtained for the Solid Wastes Management Centre commenced in the year 2012. | Environmental Protection License should be obtained soon. | Although the license fee has been paid, license has not been received. |
| (g) | (i) Unidentified Other Income amounting to Rs. 5,260,292 brought forward from more than a period of one year had not been recovered during the year under review as well. | Action should be taken to recover Balances Receivable. | Course of action has been taken to remove from accounts considering as an unrecoverable amount. |
| | (ii) A balance amounting to Rs. 4,872,912 payable to the Urban Development Authority brought forward from more than a period of one year had not been settled during the year under review as well. | Action should be taken to settle amounts payable. | While a sum of Rs. 2,320,000 has been paid at present, action will be taken to pay the balance in due course. |

3.3 Human Resources Management

Audit Observation

Approval had not been obtained for 23 employees relevant to 06 posts of the Sabha who had exceeded the approved cadre of the Sabha as at 31 December of the year under review.

Recommendation

Approval should be obtained for the surplus cadre.

Comments of the Accounting Officer

Requests have been made to revise the approved cadre. Political Authority instructed to keep the fire fighting officers without referring them to other institutions.

3.4 Assets Management

Audit Observation

While action had not been taken to vest the ownership of 71 blocks of land in extent of 122 acres 42 perches, survey works of 69 blocks of land belong to the Sabha had not been done.

Recommendation

Lands belong to the Sabha should be surveyed and ownership should be vested.

Comments of the Accounting Officer

Action will be taken to inform the relevant institutions and to carry out survey works and vest the lands.

3.5 Vehicles Utilization

Audit Observation

Fuel consumption of 15 vehicles belong to the Sabha had not been tested as per paragraph 3.1 in the Public Administration Circular No. 30/2016 dated 29 December 2016.

Recommendation

Fuel consumption should be tested as per instructions given in the circular.

Comments of the Accounting Officer

While fuel consumption of some vehicles has been tested already, fuel consumption of the balance vehicles will be tested and finalized.

**3.6 Procurement
Procurement Plan**

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Certain capital expenditure amounting to Rs. 3,500,000 included in the budget for the current year had not been included in procurement plan. Accordingly, in preparing the procurement plan, attention had not been taken for the budget.

Procurement Plan should be prepared according to the approved budget..

When preparing the Procurement Plan for the year 2019, capital expenditure too will be included.

3.7 Contracts Administration

Works not Executed

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

While provision amounting to Rs. 39,500,000 had been allocated for capital expenditure through the budget for the year under review, action had not been taken to execute 7 works specifically identified at an estimated value of Rs.13,300,000.

The works specifically identified and provision for which allocated through the budget should be executed within the year.

Priorities given for works were changed with the intervention of the political authority and decision was taken to perform certain works through other institutions. Those were the reasons for non-performance.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

When estimated revenue and expenditure according to the budget prepared for the year

A correct budget should be prepared

Increase in rent through temporary assessments,,

under review are compared with actual revenue and expenditure, variations from 36 percent to 87 percent in 4 items of revenue and variations from 12 percent to 90 percent in 7 items of expenditure were observed.

and goals therein should fulfilled.

increase in the business community, decrease compost sales were the reasons for variations in revenue items while expectations of salary increase through the national budget, decrease in training programs, receipts of equipment as donations non-estimating for certain items of expenditure were the reasons for variations in expenditure items.

4.2 Internal Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

An internal audit had not been carried out in the Sabha during the year under review.

An internal audit should be done.

An internal audit unit will be established and internal audit will be carried out in due course.

4.3 Audit and Management Committees.

Audit Observation

Recommendation

Comments of the Accounting Officer

Audit and Management Committees had not been conducted for the year under review as per guidelines in the circular No. DMA/2009 (1) dated 9 June 2009 of the Management Audit Department.

An Audit and Management Committee should be established.

An Audit and Management Committee will be started as per circular instructions.