

**Monaragala Pradeshiya Sabha**

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**Monaragala District**  
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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**  
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The financial statements for the year under review had been presented to audit on 05 July 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 14 November 2012.

**1:2 Opinion**

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In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Monaragala Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**  
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The following matters were observed.

- (a) The value of a television donated during the preceding year, water bower of 4,000 litres and 05 plastic water tanks of 2,000 litres received during the year under review had not been identified and brought to account.

- (b) Income from court fines amounting to Rs. 1,815,583 for the year under review had been shown in the financial statements as Rs. 4,123,725 overstating the revenue by Rs. 2,308,142
- (c) Court fines amounting to Rs. 99,083 receivable as at 31 December 2011 had not been shown in the financial statements.

### **1.3.2 Unreconciled Control Accounts**

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The total of the balances of 04 items of accounts as per control accounts amounted to Rs. 21,553,390 whilst the balance as per subsidiary registers amounted to Rs. 9,281,067

### **1.3.3 Lack of Evidence for Audit**

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Transactions totaling Rs. 75,191,927 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

## **2. Financial and Operating Review**

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### **2.1 Financial Results**

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According to the financial statements presented the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs. 2,995,628 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 2,386,376 for the preceding year.

### **2.2 Revenue Administration**

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#### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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Information on estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	2,878	1,776	1,102
(ii) Lease Rent	9,147	9,595	-
(iii) Licence Fees	600	496	-
(iv) Other Revenue	-	-	-

### 2.2.2 Court Fines and Stamp Fees

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Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	99,083
(ii) Stamp Fees	2,715,140

### 2.2.3 Stall Rent

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The following observations are made.

- (a) The Sabha had not taken action to get assessed the rent properly from the Department of Valuation in terms of Section 136 of the Pradeshiya Sabha Act No. 15 of 1987 and the rent had been fixed only on the approval of the Sabha and 117 stalls had been leased out on that rent during the period 1999 to 2012. Necessary action had not been taken to assess the rent even by 25 July 2012.
- (b) Rent amounting to Rs. 1,801,610 from the 75 stalls at the New Bus Stand rent amounting to Rs. 365,756 from the 25 stalls at the General Market and rent amounting to Rs. 178,613 from the beef stall No. 24 had been in arrears as at 31 December 2011.

- (c) Action had not been taken to recover the arrears amounting to Rs. 4,339,649 from the 21 stalls of the Trade Complex at the New Bus Stand leased out during the period 1999 to 2004
- (d) The stalls No. 01, 02,05,11,12 and 16 of the Trade Complex at the New Bus Stand had been leased out without following a proper tender procedure.

### **2.3 Transactions not Supported by Adequate Authority**

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- (a) Contrary to Management Services Circular No. 28, 28(i), 28(ii) and 36 dated 10 April 2006, 26 May 2006, 01 August 2006 and 01 August 2007 respectively and without the prior written approval of the Commissioner of Local Government in terms of Section 19(1)(i) of the Pradeshiya Sabha Act No. 15 of 1987, 40 employees had been recruited and salaries paid to them.
- (b) The Department of Local Government had not reimbursed the salaries and allowances of the 03 employees recruited in excess of the approved cadre without the proper approval of the Commissioner of Local Government and salaries and allowances amounting to Rs. 907,122 had been paid to them in the year 2010 and 2011 from the Sabha funds.

### **2.4 Operating Inefficiencies**

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- (a) The Library building owned by the Sabha had been demolished in year 2004 and a new building had not been constructed even by January 2012. Another building had been taken on rent for this purpose and a sum of Rs. 578,000 had been paid as rent for 08 years from the Sabha funds based on an assessment report of the Divisional Secretary.

- (b) 118 plastic chairs had been purchased in 2008 under criteria based grants programme and of this, 62 chairs had been kept in stores without being distributed to the beneficiaries even as at 31 March 2012.
- (c) Necessary action had not been taken in respect of 14 cheques valued at Rs. 117,316 deposited but, not realized as at 31 December 2011.
- (d) The total of the employees loans due as at 31 December 2011 amounted to Rs. 2,700,218
- (e) Necessary action had not been taken to get settle the loan balances amounting to Rs. 588,132 recoverable from 36 officers transferred. Registers had not been maintained in a manner to obtain an age analysis on the above balances.
- (f) Arrears of revenue totaling Rs. 23,715,232 as at end of the year under review had not been recovered.
- (g) A current account maintain at the Peoples Bank had been dormant and the balance as at 31 December 2011 amounted to Rs. 31,075
- (h) The value of accounts payable for over one year as at 31 December 2011 amounted to Rs. 24,965,247
- (i) Action had not been taken in terms of 396(d) of the Financial Regulations of the Republic of Sri Lanka in respect of 08 cheques valued at Rs. 44,527 issued but not presented for payment.
- (j) A survey on stores materials had not been carried out at the end of each year as required by Rule 203 of the Pradeshiya Sabha (Financial and Administration) Rules – 1988

- (k) Surcharges amounting to Rs. 11,943 had been paid due to the delay in payment of contributions to the Employees Trust Fund during the period 2000 to 2010.

**3. Systems and Controls**

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

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