

Buththala 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 02 April 2014 and the financial statements for the preceding year had been presented on 28 March 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 Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Buththala 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 Accounting Deficiencies

The following observations are made.

- (a) The value of 39 books donated to the Okkampitiya Public Library during the year under review had not been ascertained and brought to accounts.
- (b) Capital aid amounting to Rs.250,000 receivable as at end of the year under review had not been accounted as an income receivable.
- (c) Provision had not been made under creditors for sundry expenses amounting to Rs.26,488 payable in respect of the year under review.
- (d) Rates and acre tax income billed during the year under review amounted to Rs.2,208,634; but, it had been accounted as Rs.2,161,755 and therefore, it had been understated by Rs.46,879.
- (e) The loan balance of the Local Loans and Development Fund as at end of the year under review amounted to Rs.21,332,939 whilst it had been accounted as Rs.19,580,471. Therefore, it had been understated by Rs.1,752,468.
- (f) The interest payable to the Local Loans and Development Fund for the year under review was Rs.309,057; but, it had been accounted as Rs.801,760. Therefore, it had been overstated by Rs.492,703.

1.3.2 Unreconciled Control Accounts

The total of the balances of 03 items of accounts was Rs.20,161,706 as per financial statements and the balance as per registers amounted to Rs.15,872,788.

1.3.3 Accounts Receivable and Payable

- (a) Action had not been taken to recover the sum of Rs.6,702,008 due to the Sabha for the Motor Grader, Road Roller, Bacho Loader and Tipper given on hire during the year under review.
- (b) Action had not been taken even during the year under review to settle the arrears of contributions to the Local Government Pensions amounting to Rs.327,798 carried forward for over a number of years.
- (c) Action had not been taken even during the year under review to settle the creditors balances amounting to Rs.1,978,468 carried forward for over a number of years.

1.3.4 Lack of Evidence for Audit

Two items of assets totaling Rs.381,000,165 and 03 items of liabilities amounting to Rs.26,528,148 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

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

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

| Reference to Laws, Rules, and Regulations etc. ----- | Non-compliance ----- |
|---|--|
| (a) <u>Pradeshieya Sabha Act</u> <u>No.15 of 1987</u> | |
| (i) Section 49 | Mobitel Company had constructed 04 transmission towers within the premises of the Pelawatta Sugar Company without the approval of the Planning Committee. |
| (ii) Section 158 and 159 | Revenue in arrears totaling Rs.18,451,167 as at end of the year under review had not been recovered. |
| (b) Financial Regulations of the Republic of Sri Lanka No.237 | Stock certificates had not been made available in respect of materials and equipment purchased at Rs.65,460 for carrying out various activities by the Sabha |

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 2013 amounted to Rs.10,363,126 as compared with the excess of revenue over recurrent expenditure amounting to Rs.10,393,801 for the preceding year.

2.2 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 | 1,821,552 |
| (ii) Stamp Fees | 702,332 |

2.3 Surcharges

Surcharges amounting to Rs.733,241 levied by me during the preceding years in terms of the Section 172(3) of the Pradeshiya Sabha Act No.15 of 1987 against the persons responsible had been receivable as at 31 December 2013.

3. Operating Inefficiencies

3.1 Action had not been taken in terms of Section 52 of the Pradeshiya Sabha Act, No.15 of 1987 in respect of 4 transmission towers constructed by various telephone companies without approval during the period 2009 to 2013 at 04 places within the area of the Pradeshiya Sabha.

3.2 Irregular Transactions

(a) Three private vehicles had been hired for official purposes of the Sabha at times when the Cab of the Sabha sent for repairs and hire charges amounting to Rs.559,628 had been paid during the year under review. But, the approval of the Commissioner of Local Government had not been obtained for the above.

(b) The Sabha had paid a sum of Rs.884,730 for vehicle repairs at 03 instances. However, the recommendations of the District Mechanical Engineer had not been obtained before carrying out repairs.

3.3 Transactions of Contentious Nature

(a) A sum of Rs.190,792 had been paid for electricity consumption of the Buththala Bus Stand for the period 04 December 2012 to 05 July 2013 and during that period there was an unusual electricity consumption at the Bus Stand. The reasons for this had not been found out.

- (b) The Sabha had recovered water connection charges amounting to Rs.1,221,500 from 720 water consumers under Maligawila and Rahathangama water projects during 2011 and this money had been deposited in the general deposits account even by 26 November 2013. However, Plan Sri Lanka institution had given a sum of Rs.1,150,000 to the Sabha at 02 instances for providing water connection and of this, a sum of Rs.200,000 had been refunded to 23 consumers. Therefore, reasons for non-taking to the revenue the amounts charged and making refunds only to 23 consumers were not clarified to audit.

3.4 Idle and Underutilized Assets

Action had not been taken to dispose of the unusable Mini Tractor bearing No.49-1966 and the Tractor bearing No.53-5078 owned by the Sabha.

4 Budgetary Control

Significant variances were observed between the income and expenditure estimated by 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 tool of controlling income and expenditure.

5. Systems and Controls

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

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