

Moneragala 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 01 April 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 Moneragala 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) Action had not been taken to assess the value of 02 fire engines and a hand tractor owned by the Sabha and to brought to account the above items.
- (b) The advance of Rs.20,000 paid for supplying water to the Bohitiya Junior School had been debited to the expenditure account. Subsequently, while making payment for the work the above amount had not been deducted from the value of Rs.86,912 and debited to the expenditure account. Therefore, expenditure had been overstated by Rs.20,000.
- (c) Provision had not been made under creditors in respect of expenditure amounting to Rs.903,442 payable for works relating to the year under review.

1.3.2 Unreconciled Control Accounts

The total of the balances of 03 items of accounts amounted to Rs.29,123,324 as per financial statements and the balance as per certificate of balances and subsidiary registers was Rs.28,853,900.

1.3.3 Accounts Receivable and Payable

- (a) A sum of Rs.5,965,164 due to the Sabha that had been carried forward for over a number of years had not been recovered.
- (b) A sum of Rs.4,872,912 payable in respect of stalls constructed and handed over to the Sabha by the Urban Development Authority during 1989 and 1990 had been provided under creditors. However, this had not been settled even during the year under review.

1.3.4 **Lack of Evidence for Audit**

Four items of assets totaling Rs.11,225,457, a liability of Rs.458,402 and an item of revenue amounting to Rs.62,494 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**

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

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) <u>Pradeshieya Sabha Act No.15 of 1987</u>	
(i) Section 152	Action had not been taken to recover an annual tax from 12 transmission towers constructed by various companies during 2005 to 2012.
(ii) Section 158 and 159	Action had not been taken to recover revenue in arrears amounting to Rs.50,626,951 as at end of the year under review.
(b) <u>Financial Regulations of the Republic of Sri Lanka</u>	
(i) 387	Overdraft facilities amounting to Rs.170,553 had been obtained as at end of the year under review from the Peoples Bank current account No.068-100136752849
(ii) 571(3)	Action had not been taken in respect of lapsed deposits amounting to Rs.5,170,526.
(iii) 880	Security deposits had not been obtained from the officers obliged to keep security deposits.

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 of the year under review amounted to Rs.5,547,733 as against the excess of recurrent expenditure over revenue amounting to Rs.98,725 for the preceding year.

2.2 **Revenue Administration**

2.2.1 **Lease Rent**

Action had not been taken to recover security deposits amounting to Rs.165,955; lease rent in arrears amounting to Rs.1,174,566 and charges for delay amounting to Rs.2,992,961 totaling Rs.4,333,482 in respect of the lease of the beef stall No.24 for the year under review.

2.2.2 Other Revenue

- (a) Action had not been taken to recover charges in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987 from 03 hotels/lodges situated within the area of the Pradeshiya Sabha and approved or registered at the Lanka Tourism Promotion Authority for the purposes of the Tourism Promotion Act No.14 of 1968.
- (b) Action had not been taken to recover the Motor Grader hire charges amounting to Rs.423,153 due in respect of giving the Motor Grader on hire to 10 outside parties during the preceding year and the year under review.

2.2.3 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	1,427,355
(ii) Stamp Fees	3,002,926

2.3 Surcharges

Surcharges amounting to Rs.922,195 levied by me in terms of Section 172(3) of the Pradeshiya Sabha Act No.15 of 1987 against the persons responsible had been recoverable as at 31 December 2013.

2.4 Operating Inefficiencies

- (a) Loan instalments amounting to Rs.2,478,853 payable for the last quarter of the preceding year and the year under review in respect of the loan amounting to Rs.12,985,982 obtained for the Road Development Project under Asian Development Bank Loan facility No.2201 on 22 December 2009 had not been paid. Further, the Sabha had to pay an additional interest of Rs.81,802 on this.
- (b) Three vehicles idling for over a long period had been lying in the office site under different weather conditions, without action being taken to dispose of even as at end of the year under review.

2.5 Dormant Accounts

The bank account No.176752844 maintained at the Peoples Bank had been dormant since 01 December 2010 and there was a balance of Rs.31,075 as at end of the year under review.

2.6 Budgetary Control

Significant variances were observed between the income and expenditure estimated through the budget prepared by the Sabha for the year under review and the actual income and expenditure of the year, indicating that the budget had not been made use of as an effective tool in controlling income and expenditure.

3. 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