

Siyambalanduwa Pradeshiya Sabha
Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 07 May 2014 and the financial statements for the preceding year had been presented on 17 July 2013. The report of the Auditor General for the year under review was issued to the Chairmen 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 Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Siyambalanduwa 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 Non – compliance with Sri Lanka Public Sector Accounting Standards

The financial statements of the year under review had not been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

1.3.2 Accounting Deficiencies

- a) Action had not been taken to compute the value and taken into accounts the closing stock of 14,627 Concrete logs as at end of the year under review that had been manufactured by the concrete logs producing project run by the Sabha.
- b) The value of the balance stock of raw materials of the above project as at end of the year under review amounted to Rs. 107,975. But, this had not been brought to account as balance stock and instead it had been treated as an expenditure of the year under review.
- c) The balance of the saving account No. 70361364 maintained for the Gama Neguma Project at the Bank of Ceylon – Siyambalanduwa as at end of the year under review amounted to Rs. 779,095. Nevertheless, it had been accounted as Rs. 708,104 by understating Rs. 70,991.

1.3.3 Unreconciled Control Accounts

The total of the balances of 08 items accounts was Rs. 15,027,500 as per financial statements and according to the subsidiary registers the balance amounted to Rs. 9,393,815.

1.3.4 Accounts Receivable

Action had not been to recover long outstanding employees loans amounting to Rs. 37,299 given to 08 employees as at end of the year under review.

1.3.5 Lack of Evidence for Audit

Three items of assets totaling Rs. 3,623,248 and a liability of Rs. 24,676,721 could not be satisfactorily vouched in audit due to the non – submission of required information to audit.

1.3.6 Non – Compliance with Laws , Rules , Regulations etc.

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

Reference to Laws, Rules, Regulations etc.	Non – compliance
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Pradeshiya Sabha Act No. 15 of 1987	

(i) Section 158 and 159	Action had not been taken to recover revenue in arrears totaling Rs.26,181,723 as at end of the year under review.
(ii) Section 136	Action had not been taken to get assess the rent of stalls owned by the Sabha through the Department of Valuation.

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.4,689,691 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 4,166,375 for the preceding year.

2.2 Revenue Administration

2.2.1 Lease Rent

The validity period of the rent agreements of 80 stalls owned by the Sabha had been lapsed; but, action had not been taken to update the agreements even as at end of the year under review. Although 05 stalls at Athimale had been given to lessees, the rent agreements were not made available to audit.

2.2.2 Other Revenue

According to Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 the Local Authorities should enact by – laws and recover a charge not exceeding 1% of the receipts of the year prior to the relevant year from the hotels / lodges registered or approved by the Ceylon Tourism Promotion Authority for the functions of the Ceylon Tourism Promotion Act No. 14 of 1968. However , action had not been taken to recover charges accordingly from a lodge situated within the area of the Pradeshiya Sabha.

2.2.3 Court Fines and Stamp 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.

	Rs.
(i) Court Fines	1,029,500
(ii) Stamp Fees	2,319,560

2.2.4 Surcharges

Surcharges amounting to Rs. 759,593 levied by me under the provisions 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.

3. Operating Inefficiencies

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- a) Three thousand concrete logs valued at Rs. 82,500 had been issued on credit basis to the Sanalabedda Samurdhi Society on 17 May 2013 without entering into an agreement. Action had not been taken to recover this money even by the end of the year under review.
 - b) According to Section 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power, the Sabha should act as a service supplier for operation and maintenance of street lamps. But, action had not been taken accordingly and a sum of Rs. 268,725 had been spent from the Sabha fund for the above and the information on the system of installation of street lamps, the type of lamps to be fixed and the quantity had not been recorded.

4. Budgetary Control

Significant variances were observed between the income and expenditure estimated in 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 control.

5. Systems and Controls

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

- a) Internal Control
- b) Budgetary Control
- c) Revenue Administration