

Madulla Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 06 July 2015 while Financial Statements relating to the preceding year had been submitted on 27 August 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 30 July 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Madulla Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended and cash flows in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Fixed Deposit Account No. 068-60-01-0000964-6 maintained by the Sabha in the Peoples' Bank had been closed on 09 April of the year under review and the balance of Rs. 1,856,944 had been erroneously credited to the Capital Revenue Account. The balance of this closed Fixed Deposit Account had been shown as a balance of Fixed Deposit in the financial statements as at the end of the year under review.
- (b) Action had not been taken to account the value of the Vehicle Yard amounting to Rs.875,288 constructed through the Inter Villages Development Project during the year under review.
- (c) Action had not been taken to assess Land and Buildings belong to the Sabha and take to the accounts.
- (d) Provision for Creditors had not been in respect of sundry expenses payable amounting to Rs. 731,969 as at the end of the year under review.

1.3.2 Non-reconciled Control Accounts

While total of balances relevant to 14 items of accounts according to financial statements was Rs. 21,169,036, balance according to the subsidiary registers had been Rs. 21,499,392.

1.3.3 Accounts Receivable and Payable

- (a) Proper steps had not been taken even as at the end of the year under review to recover Stalls Rent amounting to Rs. 379,179 that had remained un-recovered over number of years.
- (b) Action had not been taken to settle Audit Fees Payable by the Sabha amounting to Rs. 100,672 for 05 years from the year 2006 to 2010.
- (c) Value Added Tax amounting to Rs. 154,816 collected up to 31 December 2012 had been held in the Deposits Account without being remitted to the Commissioner General of Inland Revenue.

1.3.4 Lack of Evidence for Audit

Four items of accounts totalling Rs. 90,146,165 and an item of Liabilities amounting to Rs. 246,160 could not be satisfactorily vouch in audit due to non-submission of required information to audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

Following instances of non-compliance with Laws, Rules and Regulations were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Pradeshiya Sabha Act No.15 of 1987 ----- (i.) Sections 49 and 52	- Necessary action had not been taken to remove 04 transmission towers erected without approval.

- (ii.) Section 152
 - Action had not been taken to recover an annual tax from 04 transmission towers erected by various companies in the area of authority of the Sabha at the end of the year under review.

- (iii.) Section 158 and 159
 - Arrears of revenue totalling Rs.2,120,859 as at 31 December of the year under review had not been collected.

- (b.) Circulars of the Commissioner of Local Government
 - Circular No.1980/46 dated 31 December 1980
 - Action had not been taken to assess Rent of the Stalls belongs to the Sabha.

- (c.) Paragraph 3 of the Circular No. 1/2014 dated 05 May 2014 containing Guidelines for Implementation of the National Programme for Strengthening Pradeshiya Sabha under Budget Proposals for 2014
 - A sum of Rs.535,525 had been spent for Projects, contrary to the objectives stated in the Circular.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabah for the year ended 31 December 2014 had been Rs.2,728,318 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 832,062. Accordingly net increase of the financial results was Rs. 1,896,256.

2.2 Revenue Administration

2.2.1 Court Fines and Stamp Fees

Court Fines and Stamp Fees Receivable as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities are shown below

	Rs.
Court Fines	534,975
Stamp Fees	718,140

2.3 Surcharges

A sum of Rs. 32,697 was due to be recovered as at 31 December of the year under review in connection with surcharges imposed by me against the persons responsible, in terms of provisions in the Pradeshiya Sabha Act No.15 of 1987.

3. Operating Review

The sum of Rs. 865,171 recovered relevant to 22 employees in service of the Sabah for the period from 01 January 2014 to 31 December 2014 had not been remitted to the Public Servants Provident Fund. Instead, Payments amounting to Rs. 752 446 had been paid to the Employees Provident Fund and a sum of Rs. 112,725 had been paid to the Employees Trust Fund.

4. 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