

Siyambalanduwa Pradeshiya Sabha
Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 10 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 issued to the Secretary of the Sabah 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 Siyambalanduwa 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) Salary Reimbursements amounting to Rs. 943,581 receivable as at the end of the year under review had not been accounted.
- (b) Provision for Creditors had not been made for expenditure amounting to Rs. 1,706,396 payable as at 31 the end of the year under review.
- (c) Although the value of the Bowser bearing No. RX-1452 belongs to the Sabha was Rs.715,714; it had been shown as Rs. 9,000,000 in the financial statements overstating a sum of Rs. 8,284,286 in the accounts.
- (d) A sum of Rs. 151,259 payable to the Local Government Service Pension Fund as at the end of the preceding year had been accounted as expenditure for the year under review.

1.3.2 Non-reconciled Control Accounts

While total of balances relevant to 09 items of accounts according to financial statements was Rs. 22,155,840, balance according to the subsidiary registers and the General Ledger had been Rs. 39,184,973.

1.3.3 Accounts Receivable and Payable

Action had not been taken to recover Staff Loans in arrears remaining un-recovered over a number of years amounting to Rs. 40,013 due from 09 employees not in service at present.

1.3.4 Lack of Evidence for Audit

Three items of Assets totalling Rs. 132,881,045 and one Item of Liabilities amounting to Rs. 7,650,396 could not be satisfactorily vouch in audit due to non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs. 2,321,866 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.4,689,691. Accordingly, net decrease in the financial results had been Rs.2,367,825.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue totalling Rs. 14,248,824 as at the end of the year under review had not been recovered in terms of Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Licence Fees

Revenue of Rs 170,750 had been lost to the Sabha due to non-recovery of fees after issuing TradeLicenses to 136 Trading Establishments established in the area of authority of the Sabha.

2.2.3 Other Revenue

Although a tax not exceeding 1 per cent of the receipts of the preceding year to the relevant year should be recovered from hotels and lodging houses registered for the functions of the Sri Lanka Tourism Promotion Act No. 14 of 1968 or approved by that Authority, after imposing by-laws in terms of provisions in Section 149 of the Pradeshiya Sabha Act No.15 of 1987, action had not been taken to recover such charges from a lodging house situated in the area of authority of the Sabha.

2.2.4 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.

(i) Court Fines	2,484,970
(ii) Stamp Fees	1,485,400

2.2.5 Transmission Tower Charges

Action in terms of provisions in Section 152 of the Pradeshiya Sabha Act No.15 of 1987 had not been taken even up to the end of the year under review to recover an annual tax on 19 Transmission Towers constructed by various companies in the area of authority of the Sabha during the year 2012.

2.2.6 Stalls Rent

Action had not been taken to assess the rent of stalls belong to the Sabha in terms of provisions in the Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government.

2.3 Surcharges

Value of surcharges imposed by me against the persons responsible, in terms of Section 172 (3) of the Pradeshiya Sabha Act No 15 of 1987 due to be recovered as at 31 December 2014 amounted to Rs. 759,593.

3. Operational Review

3.1 Operating Inefficiencies

- (a) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of paying fees in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, a sum of Rs. 478,539 had been incurred out of the Sabha Fund without taking action accordingly. Action had not been in terms of the letter of the Secretary to the Ministry with regard to method of fixing, type of lamps to be fixed and number of lamps etc.
- (b) Although 15 employees served in the posts of Works Overseer, Road Laborer, Watcher, Library Assistant etc. on casual or substitute basis during the period from the year 2001 to 2014 had been appointed to permanent service during the year under review, they were not included in the approved cadre of the Sabha.

3.2 Idle and Under-utilized Assets

While 02 vehicles belong to the Sabha had been withdrawn from running since a long period, action in this connection had not been taken in terms of provisions in the Letter No.PCMC/PR/2013 dated 05 June 2013 of the Secretary to the President.

3.3 Contacts Administration

3.3.1 Second Community Development and Improvement of Life Style Project

An agreement had been entered into on 21 November 2013 between the Pradeshiya Sabha and the Second Community Development and Improvement of Life Style Project to provide funds for Sub-projects approved under Pradeshiya Sabha Inter Villages Development Programme. The Pradeshiya Sabha had qualified to receive a sum of money not exceeding Rs. 52,683,560.

Following matters are observed.

- (a) A sum of Rs. 5,911,598 had been paid to a private institution in two instances for this Project.
- (b) Information relating to activities, summary of activities, summary of expenditure, implementation stage of activities, and information relevant to sub projects proposals in terms of clause 6 of the agreement had not been furnished.
- (c) Although it had been mentioned that payment will be made on the basis of measurements taken on the parts of work performed when releasing the project funds, measurement sheets had not been furnished with regard to payments made referred to above.
- (d) While the Divisional Secretary had been informed vide letter dated 11 September 2014 of the Officer in charge of the Siyambalanduwa National Water Supply and Drainage Board to issue a part PVC Water Pipes and Other Materials purchased in this manner and valued at Rs. 1,430,850, to the Muthushakthi Community Based Organization in Muthukandiya Second Village, those Water Pipes and Materials had been issued by the subject clerk accordingly. A detailed estimate or a Bill of Quantities had not been furnished in connection with this Project.
- (e) Water Pipes and Materials valued at Rs. 4,480,748 purchased on 24 June 2014 had been stored in the Sabha Ground without being utilized for the relevant Projects even as at 19 July 2015.
- (f) Action had not been taken to commence this Project agreed on 21 November 2013, even up to 19 June 2015.

3.3.2 Non-implemented Projects

- (a) Seventeen Projects scheduled to be implemented on the basis of provisions amounting to Rs. 5,880,529 of the Ministry of Economic Development and Ministry of Local Government during the year under review had not been implemented, having mentioned the inadequacy of time and heavy rains as reasons.

- (b) Materials and Equipment valued at Rs. 492,939 had been purchased in 02 instances during the year 2012 for the Dombagahawela Electronic Library planned to be implemented under the Inter Villages Pilot Projects Programme. Although 02 years had elapsed, these materials and equipment had been stored underutilized in the Dombagahawela Library even as at 17 July 2015, date of audit.

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