

Medagama Pradeshiya Sabah

Moneragala 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 29 March 2016 while Financial Statements relating to the preceding year had been submitted on 27 April 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 23 June 2016.

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 Medagama Pradeshiya Sabha as at 31 December 2015, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Value of 9 plots of lands belong to the Sabha shown in the financial statements and 76 plots of lands not accounted including the value of 15 buildings had not been got assessed by a recognized professional assessor and not been taken to accounts.
- (b) The value of bus stand building demolished and removed during the year under review amounting to Rs. 98,000 had been accounted under moving assets.
- (c) Provision for audit fees payable as at 31 December of the year under review had not been made.

1.3.2 Accounts Payable

Action had not been taken to settle arrears of Local Government Pension amounting to Rs.216,685 payable at the end of the year under review.

1.3.3 Lack of Evidence for Audit

Two items of Assets totaling Rs. 133,875,398 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

1.3.4 Non-compliance with Laws Rules and Regulations.

Following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to laws, Rules and
Regulations

Non-compliance

(a) Pradeshiya Sabha Act No. 15 of 1987
Section 19 (1) (i)

A sum of Rs. 211,287 had been paid as Salaries and Allowances out of Sabha Funds as at the end of the year under review., having recruited two persons for two posts without written prior approval of the Commissioner of Local Government.

(b) Financial Regulations of the Republic
of Sri Lanka

F.R. 71

Three employees of the Sabha served on casual and substitute basis had been given permanent appointments to the posts of Machine Assistant, Technical Assistant and Watcher outside the approved cadre contrary to Public administration Circular No.25/2014 dated 12 November 2014.

(b) Pradeshiya Sabha (Financial and
Administrative) Rules Series of 1988

Rule No. 177 and 178

Action had not been taken lease out 4 properties belong to the Sabha having called for tenders during the year under review.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year under review ended 31 December 2015 amounted to Rs. 5,579,414 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs. 8,521,335 for the preceding year ended 31 December. Accordingly, the net decrease in financial results amounted to Rs. 2,941,921.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Action had not been taken to recover Arrears of Revenue totaling Rs. 1,959,145 as at the end of the year under review in terms of Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Court Fines and Stamp Fees

A sum of Rs. 1,045,503 on account of Court Fines and a sum of Rs. 400,949 on account of Stamp Fees were due to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

2.2.3 Rates

Rates had not been assessed once in 5 years in terms of Section 138(1) Pradeshiya Sabha Act No. 15 of 1987.

3. Operating Review

3.1 Operational Inefficiencies

Following matters are observed.

- (a) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of payment of fees in terms of clause 2(1) of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, an expenditure of Rs.117,350 had been incurred for this out of the Sabha Fund without taking action accordingly.
- (b) Transactions of the current account No. 258100190000008 in the Medagama Peoples Bank Branch opened for payment for Works by the Sabha on 25 June 2004 had been stopped after

21 July of the year under review. Accordingly, the balance of Rs.604,830 in the relevant current account remained idle.

- (c) Eight employees more than the approved cadre relevant to 5 posts had been paid salaries and allowances having engaged during the year under review.

3.2 Contracts Administration

3.2.1 Construction of the Crematorium

Contracts for the construction of Crematorium had been assigned to the contractor on 30 October 2014 under two agreements signed for Rs. 7,650,460 and Rs. 9,653,723 having prepared two estimates as R. 9,529,981 and Rs. 12,096,251 respectively under stage I and II. Although the works should be finalized before 30 January 2015, parts of work there had not been finalized even as at 12 May 2016.

3.2.2 Construction of Medagama Conference Hall

Contracts for the construction of Medagama Conference Hall based on the provision of the Ministry of Economic Development had been assigned during the year 2014 under three agreements signed for Rs. 23,538,084 having prepared three estimates for Rs. 24,477,004 under stage I, II and III and a sum of R.10,149,852 had been paid to the contractor. Although the contract agreement period had exceeded by 18 months as at 12 May 2016, construction works had not been finalized.

4. Good Governance and Accountability

4.1 Budgetary Control

According to material variances reflecting between the estimated revenue and expenditure through the budget prepared for the year under review by the Sabha and the actual revenue and expenditure for the year, the Budget had not been made use of as an effective tool of revenue and expenditure control.

4.2 Fulfillment of Environmental and Social Responsibilities

Although every Public Institution in fulfillment of own vision and mission should identify Environmental and Social Responsibilities relevant to that institution and follow strategy for fulfillment of those, a methodology had not been prepared and implemented by the Sabha for identification of their Environmental and Social Responsibilities.

4.3 Annual Procurement Plan

An Annual Procurement Plan had had not been prepared for the year under review by the Sabha.

4.4 Internal Audit

An adequate internal audit had not been carried out through the Internal Audit Unit of the Provincial Council.

4.5 Audit and Management Committee

Action had not been taken to establish Audit and Management Committees in terms of Internal Audit Guidelines Circular No. DMA/2009/(1) dated 9 June 2009 of the Management Audit Department, even up to the year under review.

5. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Contracts Control.