

Siyambalanduwa 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 24 March 2016 while Financial Statements relating to the preceding year had been submitted on 10 July 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 Siyambalanduwa 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) Although the value of Lands and Buildings belong to Sabha had been shown as Rs.122.086,663 in the accounts, those had not been assessed by a qualified member in the valuation profession.
- (b) Although the land where Siyambalanduwa Bus Stand to be constructed had been assessed at a value of Rs. 12,000,000, action had not been taken by the Sabha to take over this land legally.
- (c) Action had not been taken to get assessed the value of Compost Project Land and the land where Ethimale Library is situated belong to the Sabha by a qualified member in the valuation profession and to take to the accounts.
- (d) Provision for Creditors had not been made in the accounts for Sundry Expenses Payable amounting to Rs. 816,407 at the end of 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.25,305,720, balance according to the schedules and registers had been Rs.25,355,497.

1.3.3 Accounts Receivable

Action had not been taken to get reimbursed the sum of Rs. 934,643 receivable on account of salaries and allowances paid for the period from October to December 2014 out of the Sabha Fund on behalf of 17 officers appointed to permanent service on 24 October 2014.

1.3.4 Lack of Evidence for Audit

An item of Assets totaling Rs. 224,351,114 and one Item of Liabilities amounting to Rs. 11,920,339 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year under review ended 31 December amounted to Rs.7,250,253 as compared with the corresponding excess of revenue over recurrent expenditure according to the Financial Statements presented for the preceding year as at 31 December amounted to Rs. 2,321,856. Accordingly the net increase in the financial results had been Rs. 4,928,367.

2.2 Revenue Administration

2.2.1 Other Revenue

- (a) Although a charge not exceeding one percent of the receipts during the year preceding the relevant year should be recovered by the Local Government Institutions from hotels and lodging houses registered or approved by the Sri Lanka Tourism Development Authority, for the functions of the Tourism Development Act No. 14 of 1968 in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987 after imposing by-laws, action had not been taken to recover such charges from one hotel/lodging houses in the area of authority of the Sabha.
- (b) Action had not been taken even up to the end of the year under review to levy an annual tax on 4 Transmission Towers constructed by telephone companies in the area of authority of the Sabha during the year 2012 in terms of provisions in Section 152 of the Pradeshiya Sabha Act No. 15 of 1987.

- (c) A sum of Rs. 296,775 was outstanding to be recovered on account of hiring out the Machine to 9 individuals during the year 2014 and the year under review as a procedure had not been introduced by the Sabha for hiring out the J.C.B. Machine bearing No. WPZA – 3137 belongs to the Sabha.

2.2.2 Court Fines and Stamp Fees

A sum of Rs. 3,810,805 on account of Court Fines and a sum of Rs. 2,358,389 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.

2.2.6 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. Operating Review

3.1 Operational Inefficiencies

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. 335,270 had been incurred for this out of the Sabha Fund without taking action accordingly. Action had not been in terms of this letter with regard to method of fixing, type of lamps to be fixed and number of lamps etc.

3.2 Contracts Control

- (a) While water had been obtained from the water supply to the weekly fair and the library belong to the Sabha for construction of the Siyambalanduwa Bus Stand Work, action had not been taken by the contractor to pay water charges amounting to Rs. 53,918 relevant to the months of March and May of the year under review. When providing water a written agreement had not been entered into with the contractor with regard to water supply.

- (b) Although a totaled sum of Rs. 6,603,244 as Rs. 691,645 for construction of the Water Pump House and Rs. 5,911,599 for purchase of water pipes and other material had been spent during the year 2014 for implementation of the Muthukandiya Drinking Water Project under Gama Neguma Inter Villages Development Project, water project had not been implemented even up to 29 February 2016, date of audit, while P.V.C. pipes and other equipment had been stored in the Sabha Ground.

3.3 Human Resources Management

- (a) Contrary to provisions in the Financial Regulation 71 of the Republic of Sri Lanka and Public Administration Circular No. 25/2014 dated 12 November 2014, 12 employees served as Works Supervisor, Driver, Machine Operator, Road Laborer, Watcher and Library Assistant, on casual and substitute basis, had been appointed to the permanent service outside the approved cadre.
- (b) Twenty one employees more than the approved cadre relevant to 5 posts had been engaged during the year under review.

3.4 Assets Management

Idle and Under-utilized Assets

Block Stones Production Unit belongs to the Sabha constructed in Dombagahawela Sub-office, having spent a sum of Rs. 1,753,562 during the year 2014 had been closed down during the month of February 2015.

3.5 Un-economic Transactions

- (a) While a Service and Repair Unit had been constructed for maintenance and service works of vehicles and machinery belong to the Sabha having incurred an expenditure amounting to Rs.1,160,578 action had not been taken to make use of that.
- (b) Although a sum of Rs. 408,200 had been spent during the year 2012, for the purchase of computers and accessories to commence an electronic library in Dombagahawela Sub-office of the Sabha, electronic library works had not been commenced. It had not been possible to achieve the expected objective due to failure in carrying out work according to systematic procedure.

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 Annual Procurement Plan

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

4.3 Internal Audit

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

4.4 Audit and Management Committee

Action had not been taken to establish Audit and Management Committees in terms of Internal Audit Guidelines 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) Assets Management.