

**Medadumbara Pradeshiya Sabha
Kandy District**

.1 Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to the Audit on 29 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 02 July 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Medadumbara Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a) A difference had been observed between the total of the Assets and the Contribution to the Capital by the Revenue of Rs.1,428,192 as at 31 December of the year under review.
- (b) The Office Equipment purchased during the year under review had been overstated by Rs.1,008,329.
- (c) Items Purchased of Rs.1,296,770 had been debited to the item of expenditure except for accounting it under Method of Stores Advances during the year under review.
- (d) The receivable and payable amounts of Rs.226,660 had been missed by the Financial Statements of the Beauty Culture and Food Making Program during the year under review.
- (e) Court Fines of Rs.115,705 and Stamp Duty for Rs.1,327,450 received for the preceding year had been accounted as during the year under review and the Stamp Duty for the year under review and Receivable Stamp Duty had not been accounted under the Accrued Basis.
- (f) Even though it had been stated Rs.304,942 as the value of 28 Garbage Carts it had been observed only 10 garbage Carts physically.

- (g) 100 Water Meters valued Rs.528,000 purchased during the year under review had not been stated under the receiving and it had been missed from the Closing Stock of the Water Stores.
- (h) The Interest receivable on 04 fixed deposits in Regional Development Bank had not been calculated and accounted for the year under review.
- (i) The value of 155 items of 23 goods had not been written off which had been auctioned during the year under review.
- (j) The value of 02 buildings had not been assessed and accounted.
- (k) The value of Rs.41,250 had been spent on purchasing 25 concrete posts for the year under review had been accounted under the recurrent expenditure.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

Accumulated value of the Accounts Receivable had been Rs.27,475,465 at the end of the year under review and it included the accumulated value of the balances relating 1 to 5 years of Rs.11,948,817 and the accumulated value of the balances over 05 years not settled of 996,203 according to its time analysis.

(b) Accounts Payable

Accumulated value of the Accounts Payable had been Rs.32,984,6654 as at 31 December of the year under review and it included the accumulated value of the balances relating 1 to 5 years of Rs.13,341,080 and the accumulated value of the balances over 05 years of Rs.1,643,942 according to its time analysis.

1.3.3 Lack of Necessary Documentary Evidence for Audit

05 transactions valued Rs.37,312,839 could not be satisfactorily vouched because of non-
rendition of necessary details.

1.3.4 Non-compliance

1.3.4.1 Non-compliance with Laws, Rules, Regulations and Management Decision

Following instances of non-compliance with laws, rules, regulations and management decision were observed.

Reference to laws, rules, regulations and management decision	Amount	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act No.15 of 1987 Section 149	-	It had been charged the tax on a Revenue Statements provided by the manager except charging on the Financial Statements provided by the Tourist Board, when charging 1 per cent of the income from the Tourist Board accepted Hotels.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.571(2) paragraph (b)	5,789,310	Actions had not been taken on the Deposits lapsed 02 years.
(c) Section 10 of the Circular No.03/2016 of the Commissioner of Local Authorities Central Province dated 17 march 2016	-	Even though the interim lease had been prohibited the lessees had been interim leased their stalls for various people on various rents.
(d) 3.4 of the Procurement Guidelines	756,625	100 Lecture Hall Chairs had been purchased by calling quotations from one institution.

1.3.4.2 Non-compliance with the Tax Essentials

Action had not been taken to settle a Value Added Tax balance of Rs.24,082 continuously brought forward from the year 2010.

.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 ended 31 December 2017 amounted to Rs. 1,711,330 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,652,343.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information relating to estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Revenue Source	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Tax	1,883,842	1,870,857	1,854,300	2,252,534	1,597,083	1,814,760	2,029,359	2,349,266
Rent	2,771,989	1,971,998	1,748,857	3,593,541	3,963,421	1,758,298	1,569,163	3,660,688
Water Charges	1,872,960	1,985,103	2,153,023	929,963	1,758,240	1,863,887	1,913,817	1,094,893
License Fees	2,784,915	2,810,049	2,808,799	60,350	4,974,387	2,382,144	2,369,394	71,850
Other Revenue	404,580	484,560	181,040	1,812,060	-	424,080	477,490	1,676,060
	<u>9,718,286</u>	<u>9,122,567</u>	<u>8,746,019</u>	<u>8,648,448</u>	<u>12,293,131</u>	<u>8,243,169</u>	<u>8,359,223</u>	<u>8,852,757</u>

2.2.2 Performance in Revenue Collection

The following matters had been observed.

- The income from leasing out the stalls and lands owned by the Sabha had not been recovered timely.
- Actions had not been taken to charge the Garbage Tax from the Business Institutions within the Sabha Territory.
- Rates could not be recovered from the Areas that had been declared as developed by the gazette because the Sabha had not been taken actions to provide the minimum level public facilities.

2.2.3 Rates and Tax

(a) Rates

It had been recovered only Rs.483,871 from the arrears opening balance for the year under review of Rs.2,246,265. It had been recovered only Rs.862,407 from the total billings for the year under review of Rs.1,477,899. The rates in arrears for the year under review had been Rs.2,138,051 it included a balance over 05 years of Rs.1,347,818.

(b) Acreage Tax

It had been recovered only Rs.14,164 from the arrears opening balance for the year under review of Rs.100,000. It had been a minimum value of 14 per cent out of the total arrears. The Acreage Tax in arrears for the year under review had been Rs.114,483 it included a balance over 05 years of Rs.85,856.

2.2.4 Rent

The arrears rent as at 31 December of the year under review had been Rs.3,593,541 and the arrears over a year had been Rs.2,689,013.

2.2.5 License Fees

The License Fees in arrears as at 31 December of the year under review had been Rs.60,350 and that balance was relating to 1-5 years' time.

2.2.6 Other Revenue

(a) Vehicle Charges

An arrears balance as at the commencing date of the year under review had been Rs.1,676,060 and the billing had been Rs.484,650. The recovering percentage had been respectively 9 per cent and 37 per cent. An arrears had been observed of Rs.1,812,060 as at 31 December of the year under review. It included a balance of Rs.1,508,540 relating lapsed over a year.

(b) Water Charges

It had been recovered only Rs.616,108 out of the receivable opening balance as at the commencing date of the year under review of Rs.1,094,893. It was 56 per cent out of the total receivable amount. The receivable water charges as at 31 December of the year under review had been Rs.929,963, and it included a balance of Rs.478,784 relating lapsed over a year.

(c) Meeting Hall Charges

An income of Rs.45,000 had been receivable for the year under review by renting out the Meeting hall owned by the Sabha in front of the Theldeniya Bus Stand.

2.2.7 Court Fines and Stamp Fees

Court Fines of Rs.879,086 and Stamp Fees of Rs.6,701,097 had been receivable as at 31 December of the year under review from the Chief Secretary and the other officers of the Provincial Council.

.3 Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) By-laws

Though by-laws should be imposed to implement 33 main objectives under Section 126 of Pradeshiya Sabha Act, by-laws had only been imposed for 05 objectives even as at 31 December 2017.

(b) Action plan

According to the by-laws imposed, annual action plan had not been prepared for 04 objectives which should be implemented by the Sabha.

(c) Not Allocating Provisions

According to the Action Plan prepared provisions had been allocated only for 29 tasks out of 34 tasks that should be completed by the Sabha, therefore, 06 tasks could not be completed.

(d) Not Completing the Aimed Tasks

The following observations had been made.

- i. Even though Budget had been suggested to complete 33 tasks it had been completed only 02 tasks.
- ii. Only 14 per cent of the Self-Generated Income of the Sabha had been spent on completing the aimed tasks according to the Section 3 of the Pradeshiya Sabha Act.

(e) Not Achieving the Expected Level of Output

Following matters had been observed even though Rs.37,202,820 had been spent on achieving 04 tasks and achieved the expected level of output but not achieved the expected level of outcome.

Task	The amount spent as at 31 December 2017	Observations
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	Rs.	
i. Construction of Theldeniya Bus Stand and the Auditorium	34,336,581	It had been utilized only for 18 times as at 31 December 2017 and income earned had been Rs.45,000 therefore it had been underutilized.
ii. Repair the Meeriyagolla Thawanewewa	Value could not be found.	Even though this reservoir had been built in the aim of supplying drinking water for the locals of 06 villages within the Sabha territory Drinking water had not been supplied for the public.
iii. Construction of a Toilet for the Children Park	1,991,802	Even though a toilet had been built but the Children Park had not been built it could not be used.
iv. Construction of the Wall of the Children Park	874,437	A wall had been built as to make the Children Park Suitable to use by the Public but the actions had not been taken to build a Children Park therefore the expenditure had been become inactive.

	37,202,820	
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(f) Solid Waste Management

Sabha had spent Rs.70,295 on collection of about 04 tons of Garbage daily within the Pradeshiya Sabha territory and categorization by using a Sabha Tractor and two employees and send decayed garbage to the Kundasale Compost Yard in the year 2017. After obtaining as possible as the Non-decayed garbage it had been dumped to a Land near the Bus Stand and the garbage collected near the Udispattuwa City had been dumped near the Rangala Theldeniya road. Therefore the garbage collected within the area had been dumped as to damage the environment.

(g) Sustainable Development

Actions had not been taken by the Sabha to identify sustainable development objectives and targets and to achieve them as well as to identify indices to measure the progress.

3.2 Management Inefficiencies

Following matters were observed.

- (a) The number of water consumers had been 1066 of the 04 water projects owned by the Sabha. But the meters had been installed on only 526 persons and Rs.200 fix charge had been charged from rest of the 540 persons.
- (b) Actions had not been taken to settle the advance balance of Rs.160,728 had been continuously brought forward.

3.3 Human Resources Management

Employee Vacancies and Excesses

27 Employee Vacancies had been revealed in 14 posts when investigating the Approved and Actual Cadre and actions had not been taken to fulfill that vacancies.

3.4 Operational Inefficiencies

Following matters were observed.

- (a) The income had not been recovered from the Meat Stalls and Fish Stalls in the Weekly Fair owned by the Sabha of Rs.1,075,621 from the year 2009 to 31 December 2016.
- (b) Even though Rs.2,017,899 had been receivable from leasing out the Stalls and Lands in the Economic Center owned by the Sabha as at 31 December of the year under review actions had not been taken to recover this amount.

3.5 Assets Management

3.5.1 Not Doing the maintenance and Repairs

A Tractor owned by the Sabha had been parked in the Office Premises idle without doing repairs and use or any suitable procedure.

3.5.2 Not Obtaining the Income from the Assets

- i. A Motor Grader owned by the Sabha valued Rs.24,928,666 had been remained idle in the Office Premises without obtaining any income in the year 2017.

- ii. The Water Bowser and the Trailer had been remained underutilized in the Office premises.

3.5.3 Idle / Under-utilized Assets

Following matters were observed.

- (a) A Cab of rs.1,500,000 given by the Central Provincial Council had been prohibited by the court order in the year 2016 and it had been let to decay in the Sabha Premices.
- (b) A jeep and a Motor Cycle owned by the Sabha of rs.600,000 given by the Central Provincial Council had been inactive for over 05 years.

3.5.4 The Annual Board of Survey

Following matters were observed.

- (a) 699 Library Books valued Rs.64,348 and 07 books that could not assess the value of 05 Libraries had been lost according to the report of the Board of Survey and actions had not been taken to recover the loss.
- (b) Even though a Shortage of 160 Library Books had been revealed by the Board of Survey carried out in the Theldeniya Public Library Mobile Service actions had not been taken on that.
- (c) Actions had not been taken on 16 Library books valued Rs.5,395 had been given to the readers and not from a long time.

3.6 Procurement

3.6.1 Procurement Plan

Even though Sabha had spent Rs.1,776,879 on Capital Expenditure A Procurement Plan had not been prepared.

3.6.1 Contract Administration

Development of Wathuliyadda Pitawatta Road of Rs.1,200,000

Development of Wathuliyadda Pitawatta Road had been made agreements with the Moragahamulla Village Development Association and completed under the provisions of Rs.1,000,000 from the Program for Development of Special Infrastructure during the year under

review and Members Aids of Rs.200,000 and the payments had been done of Rs.1,006,402 for laying the concrete on the Road Surface and the Drainage according to the Work No.HSR-ST 047 of the estimate by 5" inches thick in 1:2:4 ($\frac{3}{4}$) mixture for 68.4 sq.m one sq. m for Rs.14,713.50 each. When investigating this Road after breaking at 03 spots on 18 October 2017 it had been observed the thickness in various levels like 4, 3 ½ and 4 inches. Therefore it had been over paid Rs.189,216 for 12.86 Sq.m Rs.14,713.50 each. It had been observed by the physical investigation that it had been fully cracked horizontally on a spot 100m away from the beginning.

4 Accountability and Good Governance

4.1 Budgetary Control

It was observed that the budget had not been made use of as an effective tool of management as there is a significant variation between budgeted and actual income and expenditure even after transferring provisions in income and expenditure items during the year under review. Following matters were revealed in this regard.

- (a) Provisions allocated on 4 items of Expenditure of Rs.170,000 had not been used for any expenditure.
- (b) Variances of 55 per cent to 756 per cent had been observed between the Budget Provisions and the Transfers.
- (c) Actions had not been taken to recover and income from 6 items of Revenue of Rs.8,128.200.

4.2 Internal Audit

An Officer had not been appointed for the internal audit as at 19 October 2017.

4.3 Audit and Management Committee

03 Audit and management Committees had been hold for the year under review.

5 Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time and special attention is needed in respect of the following areas of control.

System -----	Deficiencies -----
(a) Fixed Assets	<ul style="list-style-type: none"> (i) Failure in survey of the Lands and Buildings (ii) Failure to utilize some assets in any task. (iii) Failure to acquire the assets received as donations.
(b) Accounting	<ul style="list-style-type: none"> (i) Failure in identifying and accounting all assets belonging to Sabha. (ii) Carrying forward accounts balances continuously without settling.
(c) Revenue Control	<ul style="list-style-type: none"> (i) Failure to use assessments on the stalls. (ii) Failure to carry out a survey on obtaining commercial license. (iii) Non taking actions to recover the receivable income
(d) Debtors and Creditors	<ul style="list-style-type: none"> (i) Failure to take actions to make a regular procedure to settle the debtors and creditors balances continuously brought forward.
(e) Contract Administration	<ul style="list-style-type: none"> (i) Failure to follow the Tender Procedure. (ii) The Projects offered to the Community based Associations had become failure. (iii) Payment before obtaining the Hammer Test Reports after completing Road Development Programs
(f) Stores Control	<ul style="list-style-type: none"> (i) Stores had not been made according to instantly check the shortcomings. (ii) The Construction Material Distributed after Purchased had been laid in various places.