

**Medadumbara Pradeshiya Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 were submitted for audit on 31st March 2020 and the Summary report Auditor General on those financial statements has been forwarded to the Chairman on 26th May 2020 and the detailed management audit report on 31st May 2020.

1.2 Qualified Opinion

In my opinion, except for the effect matters described in the basis for the qualified opinion section of this report, Financial statements give a true and fair view of financial position of the Medadumbara Pradeshiya Sabha as at 31st December 2019 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
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(i) The value of Rs.3,014,373 borne for land and building development had not been capitalized.	Accounting should be done correctly.	I accept. Action will be taken to correct in future.
(ii) Court fines and stamp duty in the year under review had not been accounted on the accrual basis Only received amount of Rs.2,128,534 had been accounted for	Accounting should be done correctly.	I accept. Action will be taken to correct in future.
(iii) There was a difference of Rs.1,218,714 between the value of fixed assets and the income contribution to the capital application account.	Accounting should be done correctly.	I accept. Action will be taken to correct in future.
(iv) The value of 5 items of land and buildings belonging to the House had not been assessed and capitalized.	Accounting should be done correctly.	5 out of 10 lands and buildings have been capitalized.
(v) Provisions had not been made in the accounts for the audit fees relevant to the year under review.	Accounting should be done correctly.	I accept. Action will be taken to correct in future.

(b) Non-reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
At the end of the year under review, there was a difference of Rs.278,302 between the various creditors' ledger accounts and source documents.	Accounts should be corrected by reconciling the differences of relevant balances.	Action will be taken to correct in future.

(c) Accounts Receivable and Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The total balance of accounts receivable over a period of 1-5 years was Rs.41,313,567 and the value of balances over 5 years was Rs.14,483,500.	Action should be taken to recover the receivable balance.	Action will be taken to correct in future.
(ii) The total balance of payable between 1-5 years was Rs.29,036,980 and the total of balances over 5 years was Rs.13,076,357.	Action should be taken to settle the payable balance.	I accept. Action will be taken to correct in future.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Evidence such as fixed asset records, deposit documents, schedules, balance confirmations etc. had not been submitted for audit in respect of 8 account subjects valued at Rs.35,728,634	Evidences that verify the accounting balances in financial statement should be presented.	I accept

1.4 Non-Compliance

Non-Compliance with Laws, Rules, Regulations, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 149	An amount of Rs.1,648,569 had been obtained on an income statement from 9 hotels in the Council area without obtaining the statements of accounts submitted to the Tourist Board.	Fees should be charged on the accounts submitted to the Tourist Board.	Although requests were made to 11 hotels under the Freedom of Information Act, only 3 hotels have been sent.
(ii) Section 154 (1)	Sales of plots in Plan No.1230 had not been approved by the Council and no tax had been levied.	Tax should be levied on sales income.	Information has been submitted for approval and fees will be charged once the plan is approved.
(b) Section 16 (2) of the National Audit Act No. 19 of 2018	A performance report had not been submitted along with the financial statements.	Performance report should be submitted.	I accept
(c) Section 126 (vii) (e) of the Pradeshiya Sabha Act No. 15 of 1987 and the Gazette Notification dated 13 December 2016	A charge of Rs.46,689 from 40 billboards had not been charged.	Survey at the beginning of the year and take action to recover revenue.	Institutions that have not paid the billboard charges are notified to pay the charges.
(d) Financial Regulations 104 (4) of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in related the Rs.157,089 of damage occurred to JCB machine in 04 instances.	Financial regulations should be followed.	Only 75 percent of the insurance is covered, and the Insurance Ombudsman is notified and letters are sent regarding non-payment of compensation.

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| (e) | Cabinet Memorandum relating to the introduction of a program to regulate three wheeler service NP / RTC / TR / CM / 12/07 dated 05th September 2012 | Although the Pradeshiya Sabha operated 26 three wheeler parks and registered 497 three wheelers, A license fee of Rs. 1,884,375 was not charged. | The three wheeler service should be properly regulated and charged. | Action is being taken to set up a three wheeler committee and formalize. |
| (f) | Chapter 3: 4: 1 of the Procurement Guidelines | Rs.190,500 had been spent on purchasing garbage bins from a non-bidding institution. | Procurement rules should be followed | The purchasing firm provides less than the prevailing price in the market. |

1.5 Non-Compliance with Tax Requirements

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The value added tax of Rs.24,082 incurred since 2010 had not been settled	Action should be taken to settle the value added tax.	I accept the observation and action will be taken to resolve it in the future

2. Financial Review

2.1 Financial Result

According to the financial statement presented, excess of revenue over recurrent expenditure of the Council for the year ended 31st December 2019 amounted to Rs.4,989,546 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,383,727.

2.2 Financial Control

Audit observation -----	Recommendation -----	Comments of the Accounting Officer -----
The advance balance of Rs.160,728 and the returned cheque value of Rs.400, had been carried forward in the financial statements, and had not been settled.	Action needs to be taken to settle these balances	I accept the observation and action will be taken to resolve it in the future.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in arrears

The details of Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in for Reviewed year and preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	3,647,080	3,930,546	3,044,037	2,238,750	3,615,024	3,693,815	4,533,420	2,734,289
(ii) Rent	3,124,150	3,241,488	2,590,792	2,373,783	2,337,626	2,598,674	3,327,988	1,896,747
(iii) License fees	3,167,870	3,435,463	3,433,463	16,500	3,073,600	3,141,886	3,076,836	3,079,836
(iv) Other income	31,526,314	31,526,314	1,660,583	30,863,252	474,100	549,600	610,580	750,630
	<u>41,465,414</u>	<u>42,133,811</u>	<u>10,728,875</u>	<u>35,492,285</u>	<u>9,500,350</u>	<u>9,983,975</u>	<u>11,548,824</u>	<u>8,461,502</u>

2.3.2 Rent

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	The rent of Rs.1,119,609 had not been charged from the stalls of the Economic Center for 03 months to 7 years. Three lessees were sued to recover Rs.333,924.	Action should be taken to recover the arrears.	I accept.
(b)	A rent of Rs.177,273 was outstanding for 2 to 10 years.	Action should be taken to recover the arrears.	I accept.
(c)	The arrears of rent to be recovered from the lease of the assets of the Council from the year 2004 to the year 2015 were Rs.1,081,396.	Action should be taken upon these balances immediately and reported for Audit.	Action will be taken to recover the balance

2.3.3 Court Fines and Stamp Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
The court fines and stamp duty due were Rs.2,054,651 and Rs.28,470,519 respectively.	Action should be taken to bring the relevant money to the council.	I Accept.

3. Operational Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by Sabha as per the Section 3 of Pradeshiya Sabha Act, in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people.

(a) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Under Section 126 of the Pradeshiya Sabha Act, by-laws had to be enacted to fulfill 30 main matters but by-laws had been enacted for only 19 matters.	By-laws should be enacted to generate revenue for the Council.	I accept

(b) Failure to obtain the expected Outcomes

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The ground floor of the Udispattuwa Pola building constructed at a cost of Rs.7,757,342 under the provision of Pura Naguma in the year 2014 had been idle.	Action should be taken to obtain the expected benefits	Although action was taken to assess and call the no tenders were submitted.
(ii) Although a day care center had been constructed at a cost of Rs.8,205,546, the expected objectives and benefits could not be obtained.	Action must be taken to obtain the expected benefits	I accept the observation and will work to correct it in the future.

(c) Delays in Performing Tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
Three tasks worth of Rs.1,050,718 for which provisions were made in the year under review had not been completed.	Provided tasks should be performed.	07 tasks had been completed.

(d) Solid Waste Management

Audit Observation

Although about 4 tons of garbage was generated daily in the council area, a proper waste management policy was not followed and 1 ton of non-perishable waste was disposed of improperly in mainly 3 places in a way that harmed to the environment.

Recommendation

Waste should be managed in a way that does not harm the environment.

Comments of the
Accounting Officer

The non-perishable garbage in Udispattu will be sorted and deposited at the Garbage Management Center and the garbage in Medadumbara town will be sorted and given to the Aluthwatta compost yard.

(e) Sustainable Development Goals

Audit observation

Sustainable development objectives have not been adequately identified and, therefore, have not been adequately addressed.

Recommendation

Sustainable development goals need to be identified and action taken to achieve them.

Comments of the
Accounting Officer

I accept.

3.2 Management Inefficiencies

Audit Observation

- (a) The Council had loss the income of Rs.501,500 in the year 2019 due to the use of the leased stalls in the building where bus stand was constructed as a temporary rest room for the employees of the Theldeniya Depot.

Recommendation

Assets belonging to the Council should be used only for the activities of the Council.

Comments of the
Accounting Officer

Letters have been sent to the Teldeniya Depot to obtain this shop.

- (b) The lessees had deposited Rs.27,600,000 as key money for the shops in the proposed shopping complex to be constructed in the town of Teldeniya. As at 30th September 2019, Rs.1,051,600 had to be incurred as attorney fees, as 22 lessees had sued against the Council due to a problem of allocating stalls.

Action should be taken to construct the proposed shopping complex and provide shops to the lessees.

Eight of the 21 cases were dismissed subject to attorney's fees, and construction could not be expedited due to an injunction.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Employee Vacancies and Excess There were 16 vacancies on the staff.	Vacancies should be filled	Action will be taken to fill the vacancies..
(b) Employee Loans Any action had not been taken to recover a loan balance of Rs.1,695,507 from 22 transferred officers for a period of 1 to 18 years.	Action should be taken to recover the outstanding loan balance.	the balance has been reduced at present

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A fixed fee of Rs.200 and Rs.500 per month was charged from 191 customers for not installing water meters in the water projects of the Council	Action should be taken to obtain revenue from water consumers by installing water meters.	Action is being done to install water meters.
(b) Revenue of Rs.328,000 had been lost as no action had been taken to lease two shops on the upper floor of the Udispattuwa Pola building.	Action should be taken to tender and lease	The tender will be called for the third time as no bidder came forward even though the tender was evaluated.
(c) Eight plots of land owned by the Teldeniya Town Council had been leased out since 2009 with a rent of Rs.300 without a valuation.	Action should be taken to assess and levy taxes	the Valuation Department has been informed to assess these lands.

3.5 Asset Management

3.5.1 Failure to Obtain Income due from Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
The motor grader worth Rs.24,928,666 owned by the council had been remained idle in the office premises without receiving any income in the year 2019.	Action should be taken to utilize the assets	action will be taken in the future

3.5.2 Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A jeep worth Rs.600,000 has been idle for more than 5 years.	Action should be taken to dispose of non-usable assets.	Action will be taken to correct it in the future.
(b) Although a tractor and a trailer had been removed from use, no proper action had been taken.	Action should be taken to dispose of non-usable assets.	Action will be taken to correct it in the future.

3.5.3 Vehicle Utilization

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The tipper truck and the photon lorry owned by the church were underutilized.	Action should be taken to earn income from assets.	Action will be taken to correct it in the future.
(b) A trailer was taken out of use due to lack of a tractor.	Action should be taken to take advantage of this trailer.	Action will be taken to correct it in the future.

3.6 Procurement

Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Procurement plan had not been prepared for the year under review.	A procurement plan should be prepared.	I Accept.