

Medadumbara Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 26 August 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 27 September 2012.

1:2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Medadumbara Pradeshiya Sabha for the year ended 31 December 2011 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Lack of Evidence for Audit

Transactions totalling Rs. 9,717,760 could not be satisfactorily vouched in audit due to the non-submission of required information for audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.4,823,186 as compared with the excess of revenue over recurrent expenditure amounting to Rs.26,089,505 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	2,830	973	1,826
(ii) Lease Rents	3,178	2,379	1,338
(iii) Licence Fees	793	800	-
(iv) Other Revenue	2,055	1,260	795

2.2.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council are given below.

	Rs.
(i) Court Fines	588,250
(ii) Stamp Fees	6,213,697

2.2.3 Transmission Tower Charges

Although the Sabha can charge an annual fixed amount as trade licence fees for transmission towers on a decision taken by the Sabha, attention had not been paid to recover such charges and the Sabha had been deprived of an income of Rs. 100,000 approximately for the 03 previous years.

2.2.4 Environmental Protection Licence Fees

Environmental fees amounting to Rs. 46,200 recoverable for 06 projects had not been recovered in terms the National Environmental Act No. 47 of 1980 and the measures mentioned in the Gazette Extra – ordinary Notification No. 1523/16 dated 25 January

2008 issued by the Central Environmental Authority complying with the regulations laid down under the said Act.

2.2.5 Beef Transport Charges

According to Section 09 of Article 32 of the Generally accepted bye-laws of the Pradeshiya Sabhas enacted under the Gazette Extra - Ordinary Notification No.520/7 dated 23 August 1988 of the Democratic Socialist Republic of Sri Lanka, meat transported to the area under the control of the Sabha on a special licence of the Chairman should be examined by the veterinary surgeon and a fee of not more than Rs, 10 per kilo should be charged on each kilo gramme of meat so examined. But, the Sabha had been deprived of an income of Rs. 96,000 approximately as a result of not charging such fees during the year under review.

2.2.6 Income from Theldeniya Weekly Fair

The following matters were observed

- (i) Lease rent of Rs. 77,771 for leasing out the weekly fair for the period 01 January 2011 to 30 March 2011 and a sum of Rs. 3,000 for illegal stay has due from a lessee as at 31 December 2011. Further, conditions for obtaining a security deposit from the said lessee had not been included in the lease agreement.
- (ii) Another person had been allowed to recover lease rent for the period 15 April 2011 to 24 May 2011 although no agreement had been entered into with him and a sum of Rs. 85,645 was due from him as at 31 December 2011.
- (iii) A Road labourer had been appointed to collect weekly fair charges for the period 01 April 2011 to 11 April 2011 and 25 May 2011 to 31 December 2011 and no weekly fair charges had been collected for the days 12 April 2011 to 14 April 2011.
- (iv) Charges amounting to Rs. 15,065 for the Theldeniya Weekly fair for the year 2005 had not been recovered from a lessee even up to 31 December 2011.

2.2.7 Vehicle Parking Charges

Vehicle parking charges had been recovered in terms of the bye-law No.1505/18 published in the Gazette dated 12 July 2007 of the Democratic Socialist Republic of Sri Lanka and no charges had been recovered for the year 2011.

2.3 Losses and Damages

The persons responsible for the misplacement of 08 water pipes of 4'1000 type valued at Rs. 51,648 as per stores verification report had not been identified and action had not been taken to recover the relevant loss.

2.4 Contract Administration

The following matters were observed.

- (a) According to the final report of stage two of the construction of the Nithulamada Multi Purpose Centre, a sum of Rs. 92,394 had been paid for a length of 418 feet at Rs. 221 per foot for making door frames and window frames out of first class timber and to fix them under item of work No. 04. But, it was observed at a physical examination carried out on 02 August 2012 that the length of door frames and window frames fixed at the building was only 330 feet and therefore a sum of Rs. 19,451 had been over paid for a length of 88 feet. Although a sum of Rs. 13,173 had been paid for 6.65 cubes for soil filling under item of work No. 06, soil filling had not been done.
- (b) Building materials valued at Rs. 188,522 had been given to the stall owners by utilizing the advances obtained from them to construct the stalls at the site of the Theldeniya Economic Centre. But there was no evidence to prove that the stall owners had received the materials. Further, a physical examination carried out on 02 August 2012 revealed that an expenditure of Rs. 342,744 had been incurred on making concrete drains under item of work No. 15 and the work had not been done.

2.5 Allocation for Common Amenities

The following matters were observed

- (i) According to the sub-division plan relating to the block out and sale of the Walauwatta land in Theldeniya Udawela, the Block No. 01 to the extent of 10 perches had been allocated for common purposes in January 2007. Nevertheless, action had not been taken to legally acquire the land and due to this it had been sold to some other person on 23 August 2011.
- (ii) It had been committed in writing on 30 November 2007 to vested with the Sabha the land allocated for common purposes from the total extent of land owned by a private company as per plan No. 2707A. Nevertheless, action had not been taken to acquire the said block of land even as at 06 August 2012.

2.6 Operating Inefficiencies

The following matters were observed.

- (a) Proper action had not been followed in terms of Section 49 of the Pradeshiya Sabha Act No. 15 of 1987 in respect of 35 unauthorized constructions reported during the year under review.
- (b) Balances of accounts remained payable for over one year as at 31 December 2011 amounted to Rs. 8,512,855
- (c) An advance of Rs. 8,000 paid for duties connected with confiscation of properties relating to rates on 27 December 2010 had not been settled even as at 06 August 2012, the date of audit examination.
- (d) Necessary action had not been taken in respect of 1568 library books valued at Rs. 93,093 misplaced as revealed at the survey carried out on books of the public library of the Sabha for the year under review.

- (e) Withholding Taxes amounting to Rs. 262,554 deducted from the payments for 44 works from November 2010 to 31 March 2011 had not been remitted to the Commissioner General of Inland Revenue In Terms of Section 153 of the Inland Revenue Act No. 10 of 2006.

3. 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
- (d) Debtors and Creditors Control