

Mihintale Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 April 2013 and the financial statements for the preceding year had been presented on 20 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 20 December 2013.

1.2 Opinion

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Mihintale Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) A difference of Rs.1,931,266 was observed between the total net assets and liabilities shown in the financial statements.
- (b.) The value of land and buildings had been understated by Rs.5,294,253.
- (c.) Loans amounting to Rs.3,958,710 payable to the Local Loans and Development Fund had been omitted from the financial statements.
- (d.) Provisions had not been made for audit fees amounting to Rs.321,489 payable for the period 1990 to the year under review and other liabilities amounting to Rs.138,269.
- (e.) Court fines income due amounting to Rs.990,885 had not been accounted as revenue in arrears.
- (f.) The value of motor vehicles and carts had been overstated by Rs.890,000.

- (g.) Stamp fees income totaling Rs.1,256,728 relating to the preceding 03 years had been accounted as the income for the year under review and the stamp fees for the year under review had not been ascertained and brought to accounts.
- (h.) According to the accepted accounting system for the Pradeshiya Sabhas, the balance of the revenue contribution to capital outlay account should be equivalent to the total of the balances of fixed assets accounts. However, there was a difference of Rs.810,796.

1.3.2 Lack of Evidence for Audit

Three items of accounts totaling Rs.16,232,305 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.3,335,624 as compared with the excess of revenue over recurrent expenditure amounting to Rs.117,868 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	15	42	57
(ii.) Lease Rent	6,193	4,969	565
(iii.) Licence Fees	1,327	1,251	-
(iv.) Other Revenue	4,750	5,555	260

2.2.2 Rates and Taxes

Mihintale Grama Niladari Division had been declared as a developed area by the Gazette Notification No.726/30 dated 05 August 1992 issued by the Chairman of the Sabha. But, action had not been taken to recover rates and taxes.

2.2.3 Court Fines and Stamp Fees

- (a.) Income from court fines receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.990,865.
- (b.) Stamp fees revenue in arrears up to 31 December 2011 amounted to Rs.1,400,341 and the stamp fees receivable for the year under review had not been identified and brought to account.

2.3 Idle and Underutilized Physical Resources

An expenditure of Rs.565,000 spent during the year 2008 with the objective of promoting rice flour related products had become fruitless due to non-implementation of the relevant Project. The parties responsible had not paid attention for an alternative to use these resources.

2.4 Operating Inefficiencies

A corporate plan including the plans relating to the activities of the future years and an action plan to achieve the expected activities had not been prepared and implemented.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Debtors and Creditors Control