

**Minipe Pradeshiya Sabha**

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**Kandy District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 18 May 2015 while Financial Statements relating to the preceding year had been submitted on 01 July 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 14 August 2015.

**1.2 Opinion**

In my opinion the financial statements give a true and fair view of the financial position of the Minipe Pradeshiya Sabha as at 31 December 2014 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 deficiencies are observed.

- (a) While action had not been taken to transfer the ownership of Two motor cycles bearing No. CP-MO-4995 and CP-MP-5001 valued at Rs.172,990 received to the Sabha from the Community Water Project during the year 2006, it had not been disclosed through notes to accounts as well.
- (b) Library Membership Enrolment Fees and Membership Renewal Fees totaling Rs.15,240 received during the year under review had been shown under General Deposits without being accounted as revenue of the year.

**1.3.2 Suspense Account**

Action had not been taken to investigate the Suspense Account balance of Rs.13,369 as at 31 December of the year under review and settle it

### 1.3.3 Accounts Receivable

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While the total value of 10 Accounts Receivable balances as at 31 December 2014 was Rs.67,280,370, out of that, total of account balances which had exceeded a period of one year had been Rs.5,155,958.

### 1.3.4 Accounts Payable

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While out of the total of Creditors balances amounting to Rs.62,720,988 as at 31 December 2014 the balance of the Works Creditors Account was Rs.62,372,907, out of that value of work Creditors balances which had exceeded a period of one year had been Rs.2,250,333.

### 1.3.5 Lack of Evidence for Audit

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Transactions totaling Rs.52,014,084 relating to 04 items of accounts could not be satisfactorily examined in audit due to non-submission of required information to audit.

### 1.3.6 Non-compliance with Laws, Rules and Regulations etc.

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Following instances of non-compliance with Laws, Rules and Regulations were observed in audit.

Reference to laws, rules, regulations etc.	Non-compliance
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(a) Pradeshiya Sabha (Finance and Administrative) Rules Series of 1988.	
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Rules 177 and 178	30 Construction Works valued at Rs.7,616,231 had been assigned to community based organizations without following the tender procedure.

(b) Financial Regulations of the Republic  
of Sri Lanka

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F.R. 571(2)

Action in terms of financial regulations had not been taken with regard to Lapsed Deposits amounting to Rs.42,674 relevant to 06 instances as at 31 December 2014.

**2. Financial Review**

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**2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.9,784,629 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,059,656 indicating a decline of Rs.2,275,027 in the financial result.

**2.2 Revenue Administration**

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There was balance of arrears of revenue amounting to Rs.8,809,019 as at the date of end of the year under review.

**2.2.1 Rates**

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While there was a balance of Rs.443,421 at the beginning of the year under review, billings for the year had been Rs.530,335. The percentage of recovery during the year out of those balances had been 18 per cent and 69 per cent respectively. Although there was a balance of arrears amounting to Rs.530,183 at the end of the year under review, for that action in terms of Sections 158(1) and 159 (1) of the Pradeshiya Sabha Act had not been taken to recover the balances in arrears.

**2.2.2 Lease Rent**

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While there was a balance of Rs.1,489,568 at the beginning of the year under review, billings for the year had been Rs.989,999. The percentage of recovery during the year out of those balances had been 13 per cent and 24 per cent respectively. There was a balance of arrears amounting to Rs.2,277,456 as at 31 December 2014. When it is compared with the preceding year there was an improvement of 53 per cent.

### **2.2.3 Water Charges**

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While there was a balance of Rs.1,879,022 at the beginning of the year under review, recoveries of arrears during the year had been at a weak level such as 49 per cent. There was balance of arrears amounting to Rs.2,153,106 as at 31 December 2014.

### **2.2.4 Stamp Fees**

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Stamp Fees amounting to Rs.268,400 were due as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities. Out of this, a sum of Rs.80,820 was outstanding furthe as at 31 July 2015.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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Following matters are observed.

- (a) Acton had not been taken to obtain a proper assessment with regard to Land and Buildings accounted on the basis of a temporary assessment of Rs.61,987,740.
- (b) While 03 balances of Current Assets valued at Rs.623,957 and 02 balances of Current Liabilities were being brought over a period from 04 to 12 years as at 31 December of the year under review, action had not been taken to settle these balances or to take a suitable action.
- (c) It was observed that unauthorized constructions had been made in the library premises due to lack of a security wall or a fence for the Morayaya Library.
- (d) While a security fence or boundaries had not been marked for the 07<sup>th</sup> Post, Minipe Weekly Fair Ground, an unauthorized permanent building had been constructed therein. While electricity connection had been obtained for that building, it had been allowed to have an access road across the fair ground, in spite of availability of another access road to 02 houses situated near the fair ground. An electricity lines post had been newly erected in the center of the fair ground and it had been used to obtain electricity supply for the 02 houses.
- (e) Revenue of Rs.2,340,300 had been earned during the year under review through 12 water supply schemes belong to the Sabha consisting about 1568 water consumers. It was observed at the physical inspection carried out on 16 July 2015 The Water obtained from water sources is taken direct to the water tank without being purified using a cleaning substance or using a filter and distributed to the consumers. While water is getting polluted due to getting added the dead bodies of small animals and other waste to the

water, it was observed at the physical inspection carried out on 16 July 2015, that water is being distributed to water consumers without following any methodology for purification of water.

### 3.2 Idle and Under-utilized Assets

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Four vehicles valued at Rs. 2,110,950 had been kept under-utilized for more than a period of one year as at 31 December of the year under review.

## 4 Accountability and Good Governance

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### 4.1 Corporate Plan

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A Corporate Plan of the Sabha for the year under review had not been prepared.

### 4.2 Procurements Plan

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Although capital expenditure amounting to Rs. 35,255,547 had been incurred, a Procurement Plan had not been prepared for the year under review.

### 4.3 Action Plan

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An Action Plan had not been prepared by the Sabha during the year under review.

### 4.4 Audit and Management Committee

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Committee meetings had not been conducted as Audit and Management Committees had not been established in the Sabha during the year under review.

### 4.5 Internal Audit

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An adequate internal audit of the Sabha had not been carried out during the year under review.

### 4.6 Budgetary Control

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It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 15 per cent to exceeding 100 percent in 04 items of revenue and variations from 15 per cent to 95 per cent in 05 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration