

**Medirigiriya Pradeshiya Sabha**  
**Polonnaruwa District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 01 April 2015 while Financial Statements relating to the preceding year had been submitted on 20 June 2014. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 30 July 2015.

**1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Medirigiriya Pradeshiya Sabha as at 31 December 2014, 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 are observed.

- (a) Two Weekly Fairs, Vehicles Park and Vehicle Service Center valued at Rs.34,370,848 ad constructed under the World Bank Inter Villages Project had not been disclosed as Fixed Assets in the financial statements.
- (b) Although the Equipment valued at Rs.540,014 purchased for the Bobcat Machine had been stored in the Stores of the Sabha, those had not been as stocks of stores I the financial statements.
- (c) The Value of Relaxation Centre amounting to Rs.1,066,890 constructed under Local Government Infrastructure Facilities Improvement Project had not been accounted as assets.

- (d) The value of the balance left out of service material purchased for the Vehicles Service Centre as at the end of the year under review had not been identified and accounted.
- (e) Value of the Water Bowser and the Cab Vehicles provided to the Sabha by the Government during the year under review had not been identified and accounted.
- (f) The balance of the savings account opened on 10 November 2012 and maintained in the Bank of Ceylon for future operations and maintenance works relevant to Inter Villages Projects amounting to Rs.1,404,860 as at 31 December 2014 had been omitted from the financial statements.
- (g) Motor Grader Operational income amounting to Rs.235,350 during the year 2013 had not been accounted as income of the year under review.
- (h) The value of Three Water Bowsers, three Trailers, a Tractor Machine, Tipper Vehicle a Road Roller, a Motor Boat and four Foot Cycles received by the Sabha prior to the year under review had not been identified and accounted under Fixed Assets.

### **1.3.2 Lack of Evidence for Audit**

Transactions valued at Rs.90,341,080 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

### **1.3.3 Un-settled Accounts**

Work Debtors and Creditors amounting to Rs.6,647,799 and Rs.7,500,814 respectively had not been settled even up to June 2015.

### 1.3.4 Accounts Receivable

- (a) While a sum of Rs. 454,680 due from 06 Members who obtained services through Machinery and Equipment of the Sabha had not been recorded; those amounts had not been recovered even up to June 2015.
- (b) Total value of 6 balances of Accounts Receivable continuously shown in the financial statements without being settled during a period between 6 to 20 years amounted to Rs. 1,164,454.

### 1.3.5 Non-compliances

Following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules,  
Regulations and Management  
Decisions

Non-compliance

- (a) Pradeshiya Sabha Act No Act No.  
15 of 1987

- (i) Section 129 (2) (i)

Although all amounts of Stamp Fees money and charges paid by persons residing in the area of authority of the Pradeshiya Sabha should be paid into the Sabha Fund, a sum of Rs. 4,294,350 had not been recovered from the relevant authorities.

- (ii) Section 132 (a)

While a sum of Rs. 193,160 had been spent out of the Sabha Fund as direct expenses for the function on account of the visit of the President during the year 2014, approval of the Minister in Charge of the Subject had been obtained only for Rs. 100,000.

- |  |  |
|--|--|
| <p>(b) Section 2 (1) of the Motor Vehicles Ordinance Chapter 203</p>   | <p>A Crew Cab Vehicle, 03 Trailers, Cubes 2 Tipper Vehicle and 05 Water Browsers belong to the Sabha had been running without being registered in the Department of Motor Transport during the year under review.</p>  |
| <p>(c) Pradeshiya Sabha (Financial and Administrative) Rules of 1988<br/>-----<br/>Rules 203,214 and 218</p>                   | <p>A full survey had not been carried out with regard to the properties of the Sabha.</p>  |
| <p>(d) Extra Ordinary Gazette Notification No. 1528/21 dated 19 December 2007 of the North Central Province Chief Minister</p> | <p>Although expenditure could be incurred for private vehicles when there is no vehicle for the Pradeshiya Sabha having obtained the permission of the Commissioner of Local Government, a sum of Rs. 131,500 had been spent for private vehicles in 13 instances without obtaining such permission.</p> |
| <p>(e) Local Government Reform Circular No. 03<br/>-----<br/>(i) 3.1</p>   | <p>Action had not been taken to obtain title deeds for Government lands and Buildings belong to the Sabha.</p>   |

(ii) 3.6 and 3.7

While conducting an annual survey with regard to all the assets and surveying the lands once in few years should be done to ensure that correct extent exists, it is required to mark the boundaries and fix wire fences around. However, such action had not been taken.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs.5,040,603 as compared with the corresponding excess of revenue over recurrent expenditure revenue for the preceding year amounted to Rs.1,864,658.

### **2.2 Revenue Administration**

#### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review is shown below.

	<u>Item of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulative Arrears</u> <u>as at 31 December</u>
		Rs'000	Rs'000	Rs'000
(i)	Rates and Taxes	783	640	2,236
(ii)	Lease Rent	15,951	8,551	195
(iii)	Licence Fees	1,520	1,404	--
(iv)	Other Revenue	109,734	28,075	31,518

### **2.2.2 Rates**

While the Rates Revenue billed for the year under review was Rs.640,311, amount in arrears as at 31 December 2014 had been Rs.2,236,042. Revenue in Arrears of the Sabha had been 349% of the annual revenue of the Sabha. Accordingly, a weak position was observed with regard to recovery of Rates.

### **2.2.2 Court Fines and Stomp Fees**

Court Fines amounting to Rs. 3,557,586 and Stamp Fees amounting to Rs.4,294,350 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

## **3. Operational Review**

### **3.1 Idle and Under-utilized Physical Assets**

It was observed that the following assets of the Sabha remained idle during the period mentioned against those items.

Particulars of Assets	Value	Idle Period
-----	-----	-----
	Rs.	
Rice Flour Centre Building	1,800,000	05 Years
Mitsubishi Cab Vehicle	180,000	06 Years
Rice Flour Production Equipment Set	650,500	07 Years
Concrete Mixing Machine	240,000	02 Years
Block Stones Machine	130,862	02 Years
Road Roller	Value not shown	08 Months

### **3.2 Management Inefficiencies**

- (a) Although the canteen had not been run according to the agreement since the year 2013 by the parity who got the canteen building belongs to the Sabha, action had not been taken by the Sabha to get that back.
- (b) Action had not been taken by the Sabha to settle retention money amounting to Rs. 3,014,210 included in the Refundable Deposits relevant to 38 Projects implemented during the years 2010 and 2011.

### **3.3 Budgetary Control**

Variations in a range between 30 per cent and 100 per cent were observed between budgeted and actual revenue from Sub-revenue Items relevant to Hiring out Vehicles and Machinery, Water Charges, Registration Certificates, Inspection Fees, Registration of Suppliers, Entertainment Tax and Fees Recoverable.

### **3.4 Internal Audit**

While an internal audit had not been carried out in the Sabah during the year under review and the previous years, an adequate audit had been carried out in the Sabha by the Local Government Department as well.

## **4. Systems and Controls**

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

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