

**Medadumbara Pradeshia Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 06 May 2016 while Financial Statements relating to the preceding year had been submitted on 11 May 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 22 July 2016.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Medadumbara Pradeshiya Sabha as at 31 December 2015 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 matters were observed.

- (a) A sum of Rs. 3,700,000 spent for 09 constructions in the year under review and the amount of 05 land plots amounting to Rs. 392,500 had not been capitalized.
- (b) Nine Assets items valued at Rs. 137,900 had been accounted under Current Assets as General Stores and Field Stores instead of accounting as Fixed Assets.
- (c) Though an agreement was signed with a contractor to develop Ranaviru Pre-School in the year under review for Rs. 700,000, this amount should be shown as Creditors due to the amount had not been paid as at the end of the year under review. However a shortage of Rs. 204,000 was shown in Creditors as it was accounted as Rs. 496,000.
- (d) The library books purchased for Rs. 101,400 had been accounted as recurrent expenditure.
- (e) The value of 223 water equipment recorded in the Water Store Register had not been calculated and accounted.
- (f) An aggregating Rs. 17,551,000 received as the amount to be spent on construction from tender applicants of constructing 92 stalls in the year under review had been accounted under Recurrent Income.

1.3.2 Accounts Receivable

While the value of 09 Accounts Receivable balances as at 31 December 2015 was Rs. 44,829,373, out of that value of balances that had been outstanding over 01 year was Rs. 27,644,704.

1.3.3 Accounts Payable

While the total value of 03 Accounts Payable balances as at 31 December year under review was Rs. 36,622,023, out of that, the value of account balances that had been outstanding over 01 year was Rs. 24,256,427.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs. 8,064,895 relating to 06 items of accounts could not be satisfactorily examined in audit due to non-presenting of required information to audit.

1.3.5 Non-compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance were observed.

Reference to laws, rules and regulations etc.	Non-compliance
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(a) Pradeshiya Sabha Act No. 15 of 1987 ----- 19(1)(i)	A sum of Rs. 1,996,358 had been paid as salaries and allowances for the period from May to December Year under review by deploying 10 workers without the approval of Commissioner of Local Government
(b) Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988. ----- 218	Actions had not been taken to conduct annual examination of all lands and buildings belong to Sabha.
(c) Circulars ----- Circular No. 1980/46 of Commissioner of Local Government dated 31 December 1980	Forty Stall in the area of the authority of Sabha had been given on long term lease.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs. 20,519,546 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,652,343. Accordingly, an improvement in a sum of Rs. 17,867,203 was observed in the financial results.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

Item of Revenue	Arrears as at 01.01.2015	Year 2015 Billings	Receipt		Total Arrears as at 31.12.2015
			Receipt from Billing for Year 2015	Receipt from Arrears	
	Rs.	Rs	Rs	Rs	Rs
Rates and Taxes	2,393,847	1,525,921	906,368	479,966	2,533,434
Lease Rent	3,447,992	3,360,428	1,717,025	427,492	4,663,903
License Fees	157,450	2,173,983	2,242,583	28,000	60,850
Other Revenue	4,522,404	5,404,136	1,114,916	2,261,395	6,550,229
Total					13,808,416

The total revenue balance of Rs. 13,808,416 was in arrears as at 31 December of the year under review.

2.2.2 Rates

While there was a balance of arrears amounting to Rs. 2,286,260 as at the beginning of the year under review, billings amounted to Rs. 1,483,338. Out of these balances, the percentage of recovery during the year had been 18 per cent and 61 per cent respectively. The balance of arrears as at the end of the year under review was Rs. 2,410,910, out of that balances that had been outstanding over 05 years were Rs. 1,265,800. Balance receivable from Government Institutions as at 31 December of the year under review were Rs. 87,725.

2.2.3 Lease Rent

Following observations were made.

- (a) Arrears Balance of Rs. 4,663,903 was remain as at the end of year under review and arrears balance of Rs. 824,229 remains from 05 years had been included in that balance. Recoveries of these arrears amount were in poor level.
- (b) The arrears lease balance of Rs. 748,652 were remain as at the end year under review from stalls in hospital circular road and this balance was included a sum of Rs. 656,472 receivables amount relating to previous year. The proper actions had not been followed in this regard a terms of paragraph 04 of Lease Agreement.
- (c) Eighteen out of 25 stalls in Economic Centre had been sub leased by initials lessees and actions had not been taken in this regard in terms of paragraph 17 of relevant agreement.
- (d) Constructions had been performed in time to time by the lessees in the stalls at Economic Centre belongs to Sabha without approval of the Sabha and the stalls had been made converted into sum changes. Lease had been recovered by following a system of deducting the assessment of construction cost which had incurred by the lessees to moderate stalls in economically beneficial manner instead of taken legal actions in this regard.

2.2.4 License fees

Actions had not been taken to recover license fees income of Rs. 60,850 with relating to previous year.

2.2.5 Other Revenue

(a) Acreage Tax

While there was a balance of arrears amounting to Rs. 122,524 as at the end of the year under review, out of that balances that had been outstanding over 05 years were Rs. 48,274, and actions had not been taken to recover these arrears amount.

(b) Water Charges

While there was a balance of arrears amounting to Rs. 1,145,630 as at 31 December of the year under review, out of that balances that had been outstanding over 05 years were Rs. 309,184. Balance of Rs. 62,065 receivable from Government Institutions had been included in that balance, and actions had not been taken to recover these arrears amount.

(c) Advertisements Boards Charges

As per directions in the Gazette Notification No.1892 dated 05 December 2014 of the Republic of Sri Lanka, actions had not been taken to recover the advertisements board charges properly by the Sabha. As a sample field inspection carried out in main road from Karaliyadda city clock tower to Wil Amuna on 22 October 2015, a sum of Rs. 107,354 had not been charge from 69 advertisement board.

(d) Three wheel Charges

Actions had not been taken to recover charges of Rs. 1,239,820 from 218 three wheel drivers and no actions had been taken with regard to those three wheel drivers who failed to pay those charges.

2.2.6 Court Fines and Stamp Fees

Court Fines amounting to Rs. 476,326 and Stamp Fees amounting to Rs. 4,928,273 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

2.2.7 weekly fair Fees

- (a) The right of collecting charges for the period from January to December 2015 in weekly fair at the vehicle park behind the People's Bank at Theldeniya City, had been granted to a private party for agreement amount of Rs. 1,204,575. As per the conditions of the contract, though the charges should be collected only for 02 days of which the weekly fair conducted, daily fair charges had been collected in all days of the week by permitting to conduct selling in whole week. And charges had been collected daily in all days of the week by the contractor from sellers who were engaged in selling activities at two sides of the Sabha Gate and the pavement.
- (b) Actions had been taken to construct building with stalls in the land provided by the Mahaweli Authority to conduct the weekly fair with the removal of old weekly fair in Theldeniya new town. Pre lease rents from Rs. 30,000 to Rs. 550,000 had been collected from 99 out of 112 lessees which had been selected improperly and without following a tender procedure for renting of stalls. It was verified that applicants of 04 stalls had not been taken their stalls, and no proper procedure was available to collection pre rents.

3. Operating Review

3.1 Operational Inefficiencies

Following matters were observed.

- (a) Retention money with relating to years 2008, 2010 and 2011 of Rs. 628,805 which had not been taken actions to settle and should be shown in deposit account had been included in Debtor balance as at 31 December year under review. Further actions had not been taken to settle that retention money.
- (b) Actions had not been taken to recover arrears Loan balance of Rs. 34,101 receivable from 13 officers vacated of post, retired and transferred out.

3.2 Identified Losses

It was revealed a shortage of 1757 library books valued at Rs. 172,555 with regard to the years 2014 and 2015

3.3 Contract Administration

Following matters were observed.

(a) Construction of Multipurpose Centre Building at Galkotuwa

Unapproved bricks of 8 ½ x 5 ½ x 2 ½ inches had been used for the walls of Multipurpose Centre Building at Galkotuwa constructed by spending a sum of Rs. 490,000 and, concrete beams had been placed to the roof instead of estimated timber beams, and also the used timber had been placed at some places of the roof under work item No.07. Wood positive had not been applied properly. Muddy sand had been used for construction work and the cement plaster applied for the walls of the building was in poor condition.

(b) Construction of Rambukwella Crematorium

Construction work of Rambukwella Crematorium under Pura Naguma Project had been suspended due to the protest of the residents and, the payment of Rs. 99,481 made to contracting Company for documentation activities had been loss to the Sabha fund as the contract was made without considering the requirements of the residents.

3.4 Solid Waste Management

Four tons of daily generated solid waste had been dumped and soiling in improper manner to a land belongs to Mahaweli Authority which was adjoining to Theldeniya Public Stadium.

4. Good Governance and Accountability

4.1 Budgetary Control

Following matters are observed.

- (a) The Budget Estimate had not been made use of as an effective tool of management, hence 47 budgeted and actual expenditure Votes from 15 per cent to 99 per cent, and 29 income Votes exceeding from 20 per cent to 100 per cent of considerable variance was observed even after transferring of allocations expenditure Votes during the year under review.
- (b) The entire allocation of Rs. 918,160 had been saved in 12 Expenditure Votes, and any income of 03 Income Votes of Rs. 260,000 had not been collected.

4.2 Annual Procurement Plan

Procurement Plan had not been prepared for the year under review.

4.3 Internal Audit

Sufficient and independent Audit had not been done within the institute

4.4 Assets Management

Idle / Under-utilized Assets

Following matters were observed.

- (a) Five vehicles and machines valued to Rs. 1,724,000 had been remained idle and under-utilized.
- (b) The roofing tile stock removed from Council building and Theldeniya Bus stand had been dumped insecurely everywhere in the Council premises without using in necessary activity.

5. 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) Creditors /Debtors Control
- (e) Assets Management
- (f) Stock Control
- (g) Contract Administration