

Minipe Pradeshiya 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 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 18 May 2015 and the Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 19 August 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 Minipe 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 Suspense Account

Action had not been taken to investigate the Suspense Account balance of Rs. 13,369 coming from many years and settle it.

1.3.2 Accounts Receivable

While the total value of 08 Accounts Receivable balances was Rs. 38,232,720, out of that value of balances that had been outstanding over one year was Rs. 20,013,513.

1.3.3 Accounts Payable

While the total value of 06 Accounts Payable balances was Rs. 39,087,222, out of that, the value of account balances that had been outstanding over 01 year was Rs. 16,618,586.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs. 64,386,592 relating to 02 items of accounts could not be satisfactorily examined in audit due to non-submission of required information to audit.

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 Rs. 3,064,413 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 9,784,629. Accordingly, a decline in a sum of Rs. 6,720,216 was observed in the financial

results. Decrease of income from service charges for the year 2015 by Rs. 9,977,385 had been the main reason

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information 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	Revenue Billed during the Year	Revenue Collected Out of Arrears as at 01.01.2015	Out of Amount Billed during the Year 2015	Total Arrears to be Collected as at 31.12.2015
	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	530,184	548,053	199,060	417,508	461,669
Rent Income	1,904,910	1,051,943	246,751	354,088	2,356,014
Water Charges	2,153,106	2,680,769	1,107,020	1,532,971	2,193,884
Service Charges	3,400,148	-	956,558	-	2,443,590
Total					7,455,157

It was observed that the arrears of revenue balance as at 31 December of the year under review was Rs. 7,455,157.

2.2.2 Rates

While arrears of Rs. 530,184 as at opening of the year under review were remained, out of that, a sum of Rs. 199,060 or 37 per cent had been recovered. A sum of Rs. 417,508 had been recovered out of Rs. 548,053 amount billing for the year under review, it was 76 per cent. The balance as at the end of the year under review was Rs.461,669.

2.2.3 Lease Rent

Following matters were observed.

- While the billing income for the year under review was Rs. 1,051,943 recoveries during the year had been as poor as Rs. 354,088 or 33 per cent. The outstanding as at the end of the year under review was Rs. 2,356,014, and this outstanding balance was included a sum of Rs. 1,764,615 receivable from 20 stalls constructed in Hasalaka City.
- Actions had not been taken to renew agreements by taking assessments for stalls once in 05 years.
- Arrears rent of Rs. 2,281,729 from 24 stalls had been receivable from a long time period.

2.2.4 Environmental Permits

Actions had not been taken to renew license of 13 Paddy Mills and Environmental Protection license were not given to 03 Factories in terms of Section (D) of Extra Ordinary Gazette

Notification No. 1533/16 dated 25 January 2008, under the regulations of the National Environmental Act No. 47 of 1980 amended from acts No. 56 of 1988 and No. 53 of 2000,

2.2.5 Water Charges

Following matters were observed.

While there was a balance in arrears as at the beginning of the year under review was Rs.2,153,106, billing of the year was Rs. 2,680,769. A sum of Rs. 1,107,020 from previous arrears and a sum of Rs. 1,532,972 from billing was recovered. An arrears balance of Rs. 2,193,884 was remained as at end of the year. Accordingly, collection of water charges was in poor level.

- (a) Water meters had not been installed for 1047 customers out of 1475 customers using the water from Water Schemes of the Sabha.
- (b) An arrears balance for more than Rs. 5,000 from 20 customers aggregating Rs. 247,447 had been receivable as at 31 December 2015, and actions had not been taken to recover these arrears.

2.2.6 Entertainment Tax

A sum of Rs. 12, 990 receivable as Entertainment Tax from the Musical Show conducted in Hasalaka Public Stadium by the Minipe Retired Government Servants Welfare Association had not been recovered even as at 20 June 2016, the deposit of Rs. 20,000 had been kept in General Deposit Account.

2.2.7 Court Fines and Stamp Fees

A sum of Rs. 494,884 as Court Fines amounting and a sum of Rs. 639,050 as Stamp Fees had been receivable as at 31 December 2015.

3. Operating Review

3.1 Human Resources Management

- (a) An excess of 15 and a shortage of 03 approved posts of the Sabha was observed. Following observations are made in this regard.
 - (a) Four Casual employees had been recruited without the approval of the Commissioner of Local Government.
 - (b) Four Minor employees had been assigned duties of Management Assistant.
 - (c) Salary increments could not be given to 05 officers and employees due to non-conducting of Efficiency Bar Examinations.

3.2 Issuing of Certificate of Conformity

The considerable attention of the Sabha had not been given to the approving of building plans, and 46 building plans had been approved as an aggregate of the previous 03 years and the year under review. Out of them, certificate of conformity had been issued only for 05 building plans approved during the year under review.

3.3 Unauthorized Constructions

Actions had not been taken to inspect and take relevant legal actions with regard to the unauthorized structures constructed in the area of authority of the Sabha

3.4 Vehicle received from other Institutions

Actions had not been taken to transfer the ownership of 04 vehicles received from Ministries and Departments

3.5 Non-presenting of Running Charts

The running charts of 05 vehicles using by the Sabha from February 2015 to May 2016 had not been presented to Auditor General as per 1646 of Financial Regulations of the Republic of Sri Lanka.

3.6 Cab No 252-6504 taken to the custody of the Court

The case had been filed in Kandy District Court by the innocent party against the former Chairmen due to non-payment of the loss of Rs. 24,709 occurred in removing the foundation of private house in despotism by the former Chairman where the development of Hasaalaka Weekly Faire in 1997. The judgement had been given to pay Rs. 500,000 and the legal interest for that amount for the innocent party, and the order had been given to pay as per the judgement due the appeal made by the innocent party on non-making of the said payment. However, Mitsubishi Cab No. 252 – 6504 had been taken to the Court custody due to non-making the payment by the Sabha or the former Chairmen. The Cab had been kept in Sabha premises allowing it to be corroded without taking that amount from the former Chairman as per the Court judgement. That was remained as unusable by now. The authorities had not taken any precaution from 2005 by now, and actions had not been taken to disclose in financial statements in this regard.

3.7 Contract Administration

3.7.1 Development of Hasalaka Weekly Faire (Phase I and II) – Rs. 840,705

Following matters were revealed in the physical inspection carried out on 21 June 2016 with regarding this construction.

- (a) Concreting of floor of the Weekly faire constructed should be with the concrete thickness of 75mm, when examining several places by breaking that concrete, its thickness had been 50mm, and its concrete mixture had been with easily breakable low quality. A sum of Rs. 139,500 had been paid in this regard.
- (b) Though a plaster consisting of 1:3 cement sand mixture should be placed on the surface of the concrete floor, easily breakable plaster had been used with low grade mixture. A sum of Rs. 58,998 had been spent in this regard.
- (c) Plans for the building had not been prepared.

3.7.2 Development of Weekly Faire – Rs. 899,500

Following matters were revealed in the physical inspection carried out on 21 June 2016 with regarding this construction.

- (a) Several places of the concrete floor had been burst and cracked.

- (b) Though the concrete floor of the building should be a finishing floor with a plaster consisting of 1:3 cement sand mixture, easily breakable plaster had been used with low grade mixture. A sum of Rs. 33,030 had been paid for 45m²
- (c) Plans for the building had not been prepared.

3.7.3 Construction of Barth Room, Toilet, Fertilizer Store Room, Office Room in Compost Yard - Rs. 900,000

Following matters were revealed in the physical inspection carried out on 21 June 2016 with regarding this construction.

- (a) A sum of Rs. 110,913 had been paid under item 17 to fix 04 doors with 8.18 m² and 95mm x 45mm frames from Grade One timber and Oxidized Heavy Fixtures. All doors were in unusable poor conditions due to crooked and expanded joints and it was observed that the locks and fixtures used were not in high quality.
- (b) A sum of Rs. 94,574 had been paid under item 17 to fix Windows with 5.83 m³ and 4"x3" window frames from Grade One timber. However, 3½"x2½" sized timber had been used and fixtures used were not in high quality.

3.7.4 Construction of Rest House under the Development Work in view of Attract Tourists to Gurulupotha - Rs.617,837

- (a) Though a sum of Rs.120,000 was paid under work item No. 9.1 of the payment bill for supply and fixing 10 Precast Benches, a shortage of 01 Bench was observed in the physical verification carried out on 21 June 2016.
- (b) It was estimated Rs.12,000 per Bench to supply and fix, as the market value of a Precast Bench was in less than Rs. 5,000.

3.7.5 Development of Road from Morayaya to Ganewatta - Rs.881,500

Following matters were revealed in the physical inspection carried out on 21 June 2016 with regarding this construction.

- (a) Though the damaged road surface were repaired, estimates had not been prepared according to the measurement taken by squaring the each damaged places specially the places where 4" metal needed etc.
- (b) The places where the 4" metal were placed could not be examined due to un-identifying the exact places and non-taking of measurement of them.
- (c) Though a sum of Rs. 132,064 was paid under the Expenditure Vote No.9 for double bitumen surface treatment for 897 m², the second bitumen application had not properly been conducted.

4. Good Governance and Accountability

4.1 Budgetary Control

According to the budget prepared for the year under review, it was observed that there were variations from 26 per cent to 92 per cent in 03 items of revenue and variations from 34 per cent to 87 per cent in 04 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Annual Procurements Plan

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

4.3 Internal Audit

Internal Audit had not been conducted in terms of Rule 5(7) of Rules Code (Financial and Administrative) of 1988

4.4 Non-implementing of Audit and Management Committees

Audit and Management Committee had not been established and conducted meeting as per the letter No. CPC/CLG/119/1/4 dated 08 August 2014.

5. Systems and Controls

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

- (a) Revenue Administration
- (b) Assets Management
- (c) Contract Administration