

Mihintale Pradeshiya Sabha

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 09 June 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 31 August 2016.

1.2 Adverse Opinion

In view of significance of the matters described in paragraph 1.3 of this report, my opinion is that the financial statements do not give a true and fair view of the financial position of the Mihintale 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 are observed.

- (a) Courts Fines Revenue due to be received to the Sabha amounting to Rs. 763,329 during the year under review according to reports submitted by the North Central Provincial Treasury had not been accounted.
- (b) Three items of assets purchased for a sum of Rs.775,340 during the year under review had not been accounted under Fixed Assets in the financial statements.
- (c) The loan of Rs.3,958,710 received to the Sabha from the Local Loans and Development Fund during the year 2012 for construction of the Library and Auditorium of the Sabha had not been shown in the financial statements.
- (d) Although the value of 02 main buildings belong to the Sabha according to the Register of Fixed Assets was Rs.24,342,542, value of those buildings had been shown as Rs. 40,878,012 and as 03 buildings in the financial statements. Due to that; Fixed Asset

and balance of the Contribution from Revenue to Capital Outlay Account had been overstated at the rate of Rs. 16,535,470.

- (e) Action had not been taken to assess the values on the basis of present values with regard to 78 Stalls belong to the Sabha together with 06 Lands, Land where Pre-school is situated and Public Stadium Land and Properties and include those in the financial statements.

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 had been Rs.240,000 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 3,349,918 in the preceding year.

2.2 Revenue Administration

Course of action had not been taken by the Sabha in terms of Section 134 of the Pradeshiya Sabha Act No. 15 of 1987 to notify the developed areas in the area of authority of Sabha, and to enforce and recover Rates on the basis of the annual value of immovable properties.

2.2.2 Lease Rent

- (a) Lease Rent in arrears on account of leasing out trading places belongs to the Sabha as at the end of the year under review amounted to Rs. 633,000. While there was an unidentified balance of Rs. 565,001 existing during a period of prior to 10 years, action had not been taken to recover all dues.
- (b) The balance of Lease Rent in arrears due from 31 lessees who had taken the lease of stalls belong to the Sabha as at the end of the year under review was. Rs. 344,430.

2.2.3 Court Fines

While Court Fines in arrears as at the end of the year under review according to the Court Fines register was Rs. 1,289,997, a sum of Rs. 654,345 out that had not been disclosed in the financial statements. Adequate steps had not been taken to recover these arrears

2.2.4 Stamp Fees

While action had not been taken to identify and record in the registers Stamp Fees due to be recovered relevant to the years 2013, 2014 and 2015, making entries in the register maintained for Stamp Fees too had been made improperly.

3. Operational Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Action had not been taken for proper transfer of ownership of 46 burial grounds in extent of 121.5 acres situated in the area of authority of the Sabha, and to disclose the relevant information in the financial statements.
- (b) While a sum of Rs. 10,169,928 was due to be recovered to the Sabha in respect of 75 projects implemented by the Sabha during the year under review, an equal amount was due to be paid by the Sabha for the Creditors. Any schedules indicating detailed make up of these balances were not furnished to audit.
- (c) Payments totalling Rs. 143,230 had been made for 17 vouchers without being certified.
- (d) Action had not been taken to recover Staff Loan balances totaling Rs.174,563 due from 14 employees outstanding during a period from 01 to 20 years, in terms of paragraph 04 in Chapter xxiv of the Establishment Code of the Republic of Sri Lanka.
- (e) The Taffy Tractor valued at Rs.1,880,000 and 02 Water Browsers belong to the Sabha had been engaged in running without being registered in terms of Section 2 (1) of the Motor Traffic Ordinance (Chapter 203).

3.2 Idle Assets

Eleven Vehicles, Machines and Equipment valued at Rs. 2,483,900 had remained idle since a number of years.

3.3 Project Delays

Although construction works of 07 projects estimated at a value of Rs. Rs.3,628,488 had been commenced during the year under review, it had not been able to complete construction of those projects even up to April 2016.

4. **Systems and Controls**

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contracts Administration