

Medadumbara Pradeshiya Sabha

Kandy District

1. Financial Statement

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 06 May 2016.

1.2 Qualified 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 Mdadumbara Pradeshiya Sabha as at 31 December 2016 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

The following observation are made.

- (a) During the Financial year, according to different provisions for the building development during 16 accession a cost of Rs. 10,360,590 had not been capitalized.
- (b) As at 31 st December 122 water meters worth of Rs. 366,000 in the water assets stock and water equipments totaling Rs. 389,620 had not been taken to the Financial Statements during the year of review.
- (c) Internal telephone systems worth Rs. 255,663 during the year under review had not been capitalized.

1.3.2 Contingent Liabilities

An external party and the lease of shops in the proposed trade center excavating roads illegal constructions, payment of rates and abolition of major rights. The 32 cases filed against the council and 02 other court cases were not disclosed by the financial statements.

1.3.3 Accounts Receivable and Payable

(a) Account Receivable

While the total balance of 2 accounts receivable as at 31 December of the year under review amounted to Rs.18,011,397. According to timely analysis Rs.7,166,779 account balance had elapsed 1 - 5 years period and the amount of balances Rs. 531,240 has exceeded 5 years.

(b) Account Payable

While the total balance of 03 accounts payable as at 31 December of the year under review amounted to Rs.31,318,769 according to timely analysis the accounts that had elapsed 1 - 5 year amounting to Rs. 16,801,356. and elapsed exceeded a period of 5 years were Rs.2,108,103.

1.3.4 Lack of Documentary Evidence for Audit

Transactions totaling Rs.24,428,306 could not be satisfactory vouched in audit, due to non submission of required information in audit.

1.3.5 Non Compliance with Laws, Rules and Regulations etc.

The following instances of non Compliance with laws, rules and regulations were observed in the audit.

Reference to laws, rules and regulations	Non Compliance
(a) Sections 149 of Pradeshiya Sabha act no 15 of 1987	When obtaining one percent tax on 06 hotels approved by the tourism board, the accounts documents submitted by the board were neglected and only the information provided by the manager had been taken to consideration.
(b) Financial Regulations of the Democratic Socialist Republic of Sri lanka	
(i). F.R-571 (2) (b)	No actions had been taken regarding the 108 deposits worth Rs. 1,744,450 which how exceeded 2 years.
(ii). F.R 762	Has purchased water equipment such as PVC pipes, sockets a for a sum of Rs. 970,200 and had stored them without identifying the needs.

- (c) Circular number 2016/03 dated 17th march 2016 and circular number 1980/46 dated 31st December 1980 of the Commissioner of Local Government
- Although interim leasing of shop rooms had been prohibited it was identified that the lessons has given the shop rooms for interim lease.

2. Financial Review

2.1 Financial Results

According to the Financial Statement presented, excess of revenue over recurrent expenditures of the council for the year ended 31 December 2016 amounted to Rs. 20,327,811 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.20,579,546 When compared with the preceding year, an decrease of Rs. 251,735 was observed in the Financial Results for the year under review.

2.2 Analytical Financial Review

The reasons for the decreases of revenue during the year under review by Rs. 251,735 was due to the reduction of other income, increase in repair and maintains cost of capital assets and decrease of income from rent and services charges.

2.3 Working Capital Management

The total assets and total liabilities during the year under review and the proceeding year were in the ratio 2.2 :1 and 1.7 : 1 respectively.

2.4 Revenue Administration

2.4.1 Rates

The following is observed.

- (a) The balance of arrears prevailed during the beginning of the year under review was Rs. 2,410,910 a sum of Rs. 559,016 had been recovered during the year. Only 23 percent of the total arrears had been recovered from the total amount.
- (b) The arrears of the tax payable was totaled Rs. 2,246,265 during the year under review as at 31 December, While the tax arrears which had exceeded a period of 05 years was a sum of Rs. 1,287,904.

2.4.2 Lease Rental

Following are observed.

- (a) While the balance of lease rentals in arrears amounted to Rs. 1,837,668 during the year under review, a balance of Rs. 1,277,307 in arrears is continuing since more than 05 years ago.

- (b) As at 31 December the shop rental arrears were a sum of Rs. 1,817,319 while an amount of Rs. 927,955 balance arrears were included in the shop rental arrears which should have been recovered since 1 - 5 years.

2.4.3 License Charges

As at 31 st December during the year under review, arrears of license charges amounted to Rs. 74,850. An amount of Rs. 60,850 was included in the above amount which should have been recovered since a period of 1 - 5 years.

2.4.4 Other Income

(a) Income from rentals of vehicle

During the beginning of the year of review, arrears totaled Rs. 1,727,850. while billed amount Rs. 424,081. Among these balance the recovered portion was 18 percent and 36 percent. As at 31 December during the year under review arrears totaled to Rs. 1,676,060 while a balance of Rs. 418,860 had exceeded time period of more than 05 years.

(b) Acreage Tax

- (i). At the beginning of the year under review, arrears totaled to Rs. 122,523 but only Rs. 41,512 had been recovered and this was only a small portion as 33 percent from the total.
- (ii). The acreage tax arrears in balance at the end of the year under review was Rs. 100,000 while Rs. 50,333 included in the above balance had exceeded a period of more than 5 years.

(c) Water Charges

A balance of water arrears charges of Rs. 1,145,630 prevailed at the beginning of the year under review and only a sum of Rs. 601,205 had been recovered during the year. It was 52 percent from the total amount. A sum of water arrears charges of Rs. 1,094,893 remained as at 31 December during the year under review, thus included in it a sum of Rs. 334,590 exceeded a non recovered period of more than 5 years.

2.4.5 Court Fines and Stamp Fees

A sum of Rs. 1,369,132 of court fines and a sum of Rs. 6,732,797 of stamp fees were due to be recovered as at 31 December during the year under review from the chief secretary of the provincial council and other authorities.

3. Operational Review

3.1 Performance Evaluation

The following matters are observed.

- (a) Although a trade complex had been proposed to be build at the Public Market place of Teldeniya 7 years ago by the pradeshiya sabha any actions were not taken regarding it.
- (b) Aiming to provide mineral water for 3500 families in 6 villages the Ministry of Economic Development has reconstructed the Meeriyagolla Thawane wewa on 20 December 2013 and handed over the responsibility of providing water to the Medadumbara Pradeshiya Sabha, but any actions had not been taken to provide water.

3.2 Management Inefficiencies

Following matters are observed.

- (a) Failing to follow the tender orders, the lesser has not obtained the key money from the lessee when the shop spaces at the top storey of a building to the council had been leased to the lessee living at the ground floor of the building.
- (b) A conference hall built on 23 January 2016 by incurring a cost of Rs. 22,632,425 had been handed over to the council. But the hall had been unclean and the ceiling sheets were broken to a state that conferences cannot be held, even then the conference hall had been given for rent during the year for 5 days and earned an income of Rs. 9,000.
- (c) As no person took over the tender to do business at the fish market at Teldeniya, It had been kept close since 2013. When compared with the minimum tender amount, there had been a loss of Rs. 1,083,000 to the council. However in least no actions had been taken to renovate the shop spaces and rent to another business.
- (d) The tender of the stall number 8, building A at the public market took over by tender order by a lessee. But the lessee has not been able to possess the shop room since the council has failed to handover it. There by the lessee has filed a court case requesting for a compensation of Rs. 800,000. As non of the officers from the council participated to the court, a cab vehicle belonged to the council had been prohibited for use by an akseesi order.
- (e) There were 9 redundancies among the 7 approved vacancies in the work force of Medadumbara Pradeshiya Sabha.

3.3 Operational Inefficiencies

Following matters are observed.

- (a) Regarding the lease of Sathi Pola, meat shop's and fish shops belonging to council from the year 2009 to 2016 31 December, the council has not obtained an income of Rs . 1,113,246.
- (b) Although a sum of Rs.2,359,972 was receivable to the council due to the lease of shop's and lands in the Economic Center during the year under review, no step had been taken to obtain this amount.
- (c) It had been proposed to remove the shop spaces and to replace a trade complex, indoor to accomplish this 92 lessees had been selected and obtained a sum of Rs.20,301,000 through irregular contributions. This amount had been deposited in a fixed deposit account, aiming to begin constructions in the year 2009, But the constructions has not been carried out until 31 December 2016.
- (d) It had been identified from the physical stock count of water equipment's on 23 November 2016, a surplus of 97 items and a shortage of 506 items.
- (e) No actions had been taken against the 18 illegal constructions during the years 2014 and 2015.
- (f) An amount of Rs . 160,728 brought forwarded from the schedules and the surplus balance of Rs . 24,082 had been added together and from separated.

3.4 Idle / Underutilized Assets

- (a) 2 Motor bikes and a Jeep were kept idle at the premises of the Council unutilized.
- (b) 3 sub offices belonging to the Pradeshiya Sabha were kept idle.
- (c) The Udispaththuwa pola constructed under the 2014 Provincial Naguma Development Proposal, although had been handed over to the Council on 26 January 2016, until December it had been kept idle without utilizing.

3.5 Non Economic Transactions

A sum of Rs .500,000 grant's had been kept aside for the Rabukpotha kottawattegama road development, under the development project of under developed village. since there were 4 beneficiaries, constructions were stopped. A sum of Rs .75,000 was to be paid inorder to cover the expenses incurred by the contractors with the laws and rules.

3.6 Contract Management

The following matters are observed.

- (a) A sum of Rs.1,000,000 had been received for the Medamahanuwara Sathipola Development which was carried out under the project of provincial development in the year 2016. Although the following contract had been handed over to the unskilled Galemadura farmer's Association, An officer from the council has fixed roofing wires for the foundation of the building. When this was revealed, constructions were stopped and without proper tender notice the grants had to be sent back.
- (b) Under the programme of strengthening the Pradeshiya Sabha in the year 2016, Rs.663,925 worth items were purchased in order to construct the wall belonging to the children's park of the council. But 200 bags of cement at the shop premises and sand, metals at the children's park were kept without proper care.

3.7 Solid Waste Management

A quantity of 4 metric tons of waste being collected by the Pradeshiya Sabha's by tractors and the workforce, on a daily basis in the area of authority of the Pradeshiya Sabha. But since the waste not being obtained separately, waste being dumped and covered by the soil nearby the public playground at Teldeniya which the land belonging to the Mahaweli Authority without recycling.

4 Accountability and Good Governance

4.1 Budgetary Control

Due to the change of grants the year of review there's is a considerable variation in the budget and actual revenue and expenses. The budget had not been made use as an effective tool of managements.

- (a) The provision had been saved from Rs.1,408,000 provisions allocated for 13 subjects.
- (b) Variances ranging from 60 percent to 98 percent remained between net provision and the actual expenditure in 12 objects.

4.2 Annual Procurement Plan

It had made a procurement plan for the year under review.

4.3 Audit and Management Committee

Although an audit and management committee had been established only 3 committee meetings had been held during the year under review.

5 System and Controls

- (a) Fixed Assets
- (b) Accounting
- (c) Vehicle Management
- (d) Revenue Controls
- (e) Debtors Controls
- (f) Contract Controls
- (g) Stock Controls