

Medeirigiriya Pradesiya Sabha

Polonnaruwa District

1 Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to audit on 05 April 2017 while the Financial Statements for the preceding year had been presented on 29 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Medirigiriya Pradeshiya Sabha as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3 .1 Accounting Deficiencies

-
- (a) The balance of the Deposit Account at the end of the year under review had been less accounted in Rs 240,820.
 - (b) The Surplus for the year under review had been over stated in Rs. 217,248 due to the Court Fines Income of Rs.452917 for the month of December had been accounted as Rs. 670,165.
 - (c) The current assets at the end of the year under review had been less accounted by Rs.334,998 due to the Fixed Deposit balance of Rs.2,972,480 had been accounted as Rs. 2,637,482.
 - (d) The surplus for the year had been less accounted in the same amount due to the total of the Income Debtors at the end of the year 2016 Rs. 17,160,443 had been credited to the Accumulated Fund Account instead of crediting relevant income heads.
 - (e) The surplus for the year under review had been over stated in Rs.1,060,593 due to the sundry creditors in the same amount had been debited to the Accumulated Fund Account.
 - (f) The Accumulated Fund Account had been over stated in Rs. 243,500 due to the value of purchased books during the year had been accounted in Accumulated Fund Account without accounting in the Contribution from Revenue to Capital Outlay Account.
 - (g) Four Capital Assets valued to Rs. 57,583 had been accounted in Recurrent Expenditure.
 - (h) Actions had not been taken to get the possession and enter in the accounts ,of the buildings of Pilisaru Project and the land, 3 Library buildings and the lands, 13 Public Play Ground lands, 32 cemetery lands and one Ayurveda building and land which are used by the Sabha.

- (i) A sum of Rs.2,560,241 that should be settled in terms of the Agreements entered into with the contractors relating to Pradeshiya Saba Inter Village Development Programme had not been accounted as receivable and payable accounts.

1.3.2 Un-reconciled Control Accounts

Following un-reconciliations are revealed.

- (a) There was a difference of Rs 243,500 between the balance of Fixed Assets Account and the balance of Contribution from Revenue to Capital Outlay Account.
- (b) The working capital, which had been mentioned in the presented Balance Sheet for audit was a Deficient Working Capital, but according to the balances of current assets and liabilities, the value of Working Capital had to be Rs.27,051,669, while it had been mentioned as Rs.26,664,262, hence a difference of RS.387,407 was observed.
- (c) There was a difference of Rs. 19,956,573 between the Statement of Financial Position for the year under review and the subsidiary records.

1.3.3 Accounts Receivable and Payable

The following facts are observed.

- (a) The Receivable in the accounts valued to Rs. 187,846 had been brought forward since 2-20 years of time without taking action to recover.
- (b) Attention had not been taken to recover work deposit balances of various projects amounting to Rs. 3,709,928.

1.3.4 Lack of Evidence for Audit

Assets totaling to Rs.218, 690,007 relating to 07 subjects and one liability amounting to Rs.1,066,891 could not be satisfactorily vouched in audit due to the non-submission of, documents proving ownership, survey reports and subsidiary records.

1.3.5 Non-compliances with Laws, Rules, Regulations etc.

Non-compliance to the following rules, regulations and management decisions were observed.

Reference to the Rules , Regulations and Management Decisions	Non compliance
-----	-----
(a) Pradeshiya Sabha (Financial & administrative rules) 1988 -----	
(i) Rule No. 19	Five counter foiled books issued during the year 2016 had not been returned even at the end of May 2017.
(ii) Rule No.59 to 63	Actions had not been taken to do the annual survey in Sabha area and prepare a list of Trade Enterprises by 31 March and amend the register accordingly and collect the charges.
(iii) Rule No.203,204 and 218	Overall survey of assets had not been done.
(b) Financial Regulations of Democratic Republic of Sri Lanka -----	
(i) F.R.104	Actions had not been taken to conduct an inquiry on damages and lose of the broken bridge built by the Inter Village Project spending Rs.3, 939,000.
(ii) F.R.156(1)	Actions had not been taken to surcharge Rs. 18,575 which had been paid as interest and surcharge for untimely payment of electricity bills and employee trust fund bills due to recklessness of the responsible officers.
(iii) F.R.571,572	Actions had not been taken to prepare schedules, do query and credit to Sabha income the lapsed deposits valued to Rs.3,377,566 which had been deposited within 2 – 5 years time.

- (iv) F.R.1646 Actions had not been taken to present the Running Charts and monthly summaries of vehicles to Auditor General before 15 of the following month.
- (v) F.R.1647 Actions had not been taken to do the annual survey of vehicles and furnish the reports to Auditor General.
- (c) Circulars and Circular Letters

Local Government Commissioner's Circular NCP/PL/4/2/10/1/92 on 29 January 1995 Actions had not been taken after the year 2014 to get security deposits from the local government service officers who had entrusted with the custody of money or stores or whose duties had connected with the recovery of revenue, on the nature and value of their duty.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 10,152,038 as compared with the excess of revenue over expenditure amounting to Rs.7, 942,753 for the preceding year.

2.2 Revenue Administration

2.2.1 Tax and Rates

The actual income collected in the year had been Rs. 1,186,894 which was 30 percent of the due income of Rs.3,966,567 totaled by the receivable at the beginning of the year Rs.2,594,969 and the billed Rs.1,371,598 in the year. Actions had not been taken according to chapter 158 of Pradeshiya Sabha Act to recover arrears rates income.

2.2.2 Other Income

The collected income in the year had been Rs.10, 950 which was 2 percent of the due income Rs.665,544 by the sales(water) receivable at the beginning of the year.

2.2.3 Court Fines

The actual income collected in the year had been Rs. 500,000 which was 3 percent of the due income of Rs.16, 253,033 totaled by the receivable at the beginning of the year Rs.10,253,033 and the Estimated Rs.6,000,000 in the year.

2.2.4 Stamp Fees

No any Income had been collected during the year by the total estimated income of Rs.6, 705,050 totaled by the balance at the beginning of the year Rs.5, 705,050 and estimated income for the year Rs. 1,000,000.

03. Operating Review

3.1 Performance

- (a) Three projects relating to construction of two channels and building an anicut which were not under the scope of Pradeshiya Sabha had been performed by the Sabha in the year under the provision of Provincial Development Grants Rs.2, 235,572.
- (b) Four projects valued to Rs.800, 000 had not been implemented from the provision of Rs.4,475,000 for 19 projects under the Pradeshiya Sabha Strengthening Program.

3.2 Management Inefficiencies

- (a) Actions had not been taken to get transfer the registration of 04 vehicles under the name of Pradesiya Sabha.
- (b) Actions had not been taken to repair or dispose 03 vehicles not in running order.
- (c) The responsible officers had not take action to get the Running Charts regularly and present to the Audit in due time. Meter hour 1045 and Kilometer hour 80240 had been run without maintaining running charts.
- (d) The arrears income of Rs.342, 180 for preceding year and the arrears for the year under review could not be identified due to register of hire Income had not been maintained.
- (e) The post of technical Officer which is an essential service for a Pradeshiya Sabha had been vacant since year 2007.

3.3 Operational Inefficiencies

- (a) The loss Rs.224,885 in addition to the salaries paid to the drivers, could not be satisfactorily attested as arise due to common services of Sabha, due to proper documents had not been maintained and an Action Plan had not been prepared to get an efficient service from ,03 Tippers, a Motor grader, a Double Drum Roller, 08 Tractors, a Concrete Block machine, a

Concrete Mixture and a JCB Machine which could have been used on construction and road development projects.

- (b) Under the Regressive and Isolated Villages Development Project 2015 of North Central Provincial Chief Ministry, equipment valued to Rs.300, 000 had been provided through the Pradeshiya Sabha in 2016 to launch a Bag Production Project at Yudaganawa,Thulava village without doing a feasibility study and making a bond with the beneficiary.

3.4 Idle and underutilized Physical Resources

Necessary actions had not been taken on 07 units of vehicles and machines valued at Rs.2,765,362 which were idle and facing natural disaster since 3-9 years.

04. Systems and Control

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

- (a) Fixed Assets Control.
- (b) Accounting
- (c) Revenue Administration
- (d) Debtors / Creditors Control
- (e) Internal Audit
- (f) Vehicle Control