

**Mihinthalaya Pradeshiya Sabha  
Anuradhapura District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented to the Audit 29 March 2019 and the summary report of the Auditor General relating to those financial statements and the detailed management audit had been submitted to the Chairman on 31 May 2019.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the Mihinthalaya Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3. Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Even though billing of rates and taxes amounted to Rs. 1,191,830, it was Rs. 1,672,650 according to the Income and Expenditure Account and as such, a sum of Rs. 480,820 had been overstated in the account.	The income of the year should be properly accounted for.	Not submitted.
(ii) Even though billed stall rents amounted to Rs. 2,644,800, it was Rs. 1,964,745 according to the Income and Expenditure Account and as such, a sum of Rs. 680,055 had been understated in the account.	Income should be properly accounted for	Not submitted.
(iii) Warrents and fines of Rs. 360,321 had been overstated in the account.	Income should be properly accounted for	Not submitted.

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|-------|--|--|----------------|
| (iv)  | Stamp duty of Rs. 1,677,600 received for the year 2015 had been brought to account as the income of the year under review.   | Income should be properly accounted for  | Not submitted. |
| (v)   | Transfer of Rs.601,767 from Public Current Account to Local Current Account had been accounted for as the receipts of capital assets sales and repayment of loans. | Transfers between current accounts need to be identified accurately accounted for. | Not submitted. |
| (vi). | No provisions had been made for the audit fees for the year under review.  | Provisions should be made.   | Not submitted. |

(b) Unreconciled Accounts

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Audit Observation

Recommendation

Comments of the Accounting Officer

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|-------|--|---|----------------|
| (i)   | Between the opening balances brought to the accounts for the year under review and the closing balances of the certified final accounts for the year 2017, there was a difference of Rs. 40,086,976 in respect of 18 items of account. | The closing balance of the certified financial statements is to be taken as the opening balance of the following year's financial statements. | Not submitted. |
| (ii)  | There was a difference of Rs. 2,397,627 between accounts and related documents relating to 5 account balances  | Action should be taken to reconcile and correct the differences in the balance.   | Not submitted. |
| (iii) | There was a difference of Rs. 38,225,360 between the balance of 22 accounts in the main ledger as at 31 December 2018 and the balance of the trial balance relating to those accounts as at that date.                                 | Accounts balances in the main ledger should be shown in the trial balance.  | Not submitted. |
| (iv)  | A total difference of Rs.14,181,717 was observed between the balances as per the trial balance and the balances stated in the financial statements   | Amounts indicated in the trial balance should be stated in the financial statements.  | Not submitted. |

pertaining to 07 item of accounts as at 31 December of the year under review.

(v) Since the total of the debits amounted to Rs. 411,284,411 and the total of the credit amounted to Rs. 414,341,336 in the trial balance as at 31 December 2018, a difference of Rs. 3,056,925 could be observed.

The total of the debit and credit of the trial balance should be tallied.

Not submitted.

(vi) After adjusting the year's deficit of Rs 3,056,924 as on 01 January 2018 to the Accumulated Fund Account balance of Rs 12,730,178, the balance of the account should be Rs. 9,673,254, whereas it had been stated as Rs. 7,288,898 in the statement of financial position as at 31 December 2018. Accordingly, a difference of Rs. 2,384,356 was observed.

Adjustments should be made properly.

Not submitted.

(c) Accounts Receivable and Payable

	Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	Sums totalling Rs.1,002,239 relating to 5 accounts receivable balances had been outstanding for a period of more than five years.	Action should be taken to recover the balance due.	Not submitted.
(ii)	The balance of Rs. 1,209,806, which has been in the accounts for a period of 05 to 07 years, had not been settled.	Action should be taken to settle the payable balances.	Not submitted.

## (d) Lack of written evidence for audit

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Since registers of asset, title certificates, detailed schedules and reports of the Board of Survey had not been submitted in respect of 17 items of accounts worth Rs. 147,092,218, those could not be satisfactorily verified in audit.	Written evidence should be furnished to substantiate the value shown in the financial statements.	Not submitted.

## 1.4 Non-compliance

## Non-compliance with laws, rules, regulations and management decisions

----- Reference to laws, rules, regulations and management decisions -----	----- Non-compliance -----	----- Recommendation -----	----- Comments of the Accounting Officer. -----
(a) Pradeshiya Sabhas (Financial Administration) Rules, 1988			
Rules 217 and 218	There were no records on the land owned by the Sabha and not all land buildings had been inspected every year.	Rules should be followed.	Not submitted.
(b) Public Administration Circulars			
Circular No. 30/2016 dated 29December 2016	The fuel combustion of 12 vehicles owned by the council had not been tested	Circular should be followed.	Not submitted.
(d) Treasury Circular No. IAI / 2002/02 dated 28	Fixed asset registers of computers, accessories	Circular should be followed	Not submitted

November 2002 and software had not been maintained.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the recurrent expenditure of the Sabha in excess of the revenue amounted to Rs. 2,560,205 for the year ended 31 December 2018 as compared with the corresponding recurrent expenditure in excess of the revenue amounting to Rs. 6,618,435 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2017				2018			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Assessment tax	968,750	1,191,830	983,210	480,820	1,090,750	1,418,180	1,145,980	272,200
(ii) Rent	10,351,048	11,157,048	10,866,816	912,877	9,055,993	11,996,542	11,373,697	622,645
(iii) License Fees and services	3,783,552	17,506,500	17,506,500	-	2,620,232	2,924,451	2,924,451	-
(iv) Other revenue	1,789,800	1,325,166	5,595,844	5,010,697	1,489,750	1,485,822	2,052,487	8,981,378
	16,893,150	31,180,544	34,952,370	6,404,394	14,256,725	17,824,995	17,496,615	9,876,223

### 2.2.2 Rates and Taxes

#### Audit Observation

In terms of Section 134 (i) of the Pradeshiya Sabha Act No 15 of 1987, assessments tax had not been imposed by declaring the developed areas within the limits of the Sabha and conducting annual survey on properties.

#### Recommendation

Assessment tax should be imposed.

#### Comments of the Accounting Officer

Not submitted.

### 2.2.3 Rents

----- Audit Observation	Recommendation	Comments of the Accounting Officer
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Based on the 2009 assessment of 41 shops in the Sabha, the rent had been recovered for the year under review.	Properties should be assessed once every five years and recover rents accordingly.	Not submitted.

### 2.2.4 Licence Fees

----- Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of Rule 59-66 of the Pradeshiya Sabha (Financial Administration) Rules 1988, no action has been taken to conduct surveys on institutions from which trade licenses, industrial taxes and professional tax should be recovered.	Revenue should be recovered according to the Rules.	Not submitted.

### 2.2.5 Other Revenue

----- Audit Observation	Recommendation	Comments of the Accounting Officer
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Formal documents regarding warrant fines and stamp duty had not been maintained and the warrants, fines and stamp duty due for the preceding 02 years had not been identified.	Action should be taken to properly identify and recover the revenue receivable.	Not submitted.

## 03. Operating Review

### 3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people to be performed by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

## (a). By-laws

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## Audit Observation

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By-laws had not been enacted for the accomplishment of 28 main activities under Section 126 of the Pradeshiya Sabha Act.

## Recommendation

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Action should be taken to enact by laws.

## Comments of the Accounting Officer

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Not submitted.

## (b). Action Plan

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## Audit Observation

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An Annual Action Plan had not been prepared.

## Recommendation

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Action Plan should be prepared.

## Comments of the Accounting Officer

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Not submitted.

## (c). Abandoned Tasks

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## Audit Observation

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- (i) The project valued at Rs. 995,000 to build 100 meters of road using paving blocks from Katupotha junction to Katupotha temple at Maradankalla Thottiya under the Rural Infrastructure Development Special Project, had been abandoned.

## Recommendation

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Action should be taken to implement the projects

## Comments of the Accounting Officer

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Not submitted

- (ii) A sum of Rs. 11,996,091 had been obtained from the Local Loan and Development Fund for the construction of the Library and Auditorium. The relevant auditorium had not been constructed, although the relevant installments were already paid.

Loans should be used only for the relevant purpose

Not submitted

## (d) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
The environment and wildlife were adversely affected due to being buried the garbage collected in a land in the Ihala Maduwa area in Golmaduwa Pothana without being segregated such garbage.	Solid waste and waste management needs to be done in an environmentally friendly manner.	Not submitted.

## (e) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha was unaware of the United Nations Sustainable Development Agenda 2030 of 2018.	Action should be taken to identify the Sustainable Development Goals and Objectives and work towards achieving them.	Not submitted.

## 3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
No action had been taken on the loan balance of Rs. 59,918 which had remained unrecovered for a period of more than five years.	Action should be taken to recover the outstanding employees' loans promptly	Not submitted.

## 3.3 Assets Management

## 3.3.1 Failure to ensure security of assets

Audit Observation	Recommendation	Comments of the Accounting Officer
Five vehicles belonging to the Sabha had not been registered and the ownership of 10 vehicles had not been obtained by the council.	Vehicles should be registered and obtained insurance coverage.	Not submitted



Also, insurance coverage had not been obtained for 10 vehicles used by the Sabha.

### 3.3.2 Idle/Underutilized Assets

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

Three Assets Units of the Sabha valued at Rs. 1,340,000 had remained idle for a period of about five years.

Action should be taken to use or dispose of the idle assets.

Not submitted.

### 3.4 Procurement

#### Procurement Plan

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

A Procurement Plan had not been prepared

A Procurement Plan should be prepared

Not submitted.

### 04. Accountability and Goodgovernance

#### Audit and Management Committees

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

Audit Management Committees had not been held for the year under review in terms of Management and Audit Circular No. DMA / 2009 (1) (i) dated 28 January 2016.

Audit and management committees should be conducted.

Not submitted.