

**Medagama Pradeshiya Sabha
Moneragala District**

1. Financial Statements

1.1 Presentation of Financial Satatements.

While Financial Statements for the year 2018 had been presented to audit on 28 February 2019, the summary report of the Auditor General relating to those financial statements on 24 May 2019 and detailed management report on 28 May 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report the financial statements give a true and fair view of the financial position of the Medagama 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

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Publicity Advertisements Board Charges amounting to Rs. 30,000 receivable for the year under review had not been accounted.	Revenue Receivable should be identified and accounted.	As it was not possible to identify as Revenue Receivable, this was not accounted. Adjustments will be made in the ensuing year through journal entries and arrears will be recovered.
(ii) A sum of Rs. 74,160 paid as Secretary Allowance for the period from April to December of the year under review and to be reimbursed from the Provincial Council had not been accounted.	Amount to be reimbursed should be accounted.	As it had not been identified as an amount receivable, this was not accounted. Will be accounted in the year 2019. .

- (iii) Expenditure incurred for constructing steps line of the platform of the Methagama Play Ground had been understated in a sum of Rs. 67,723 in the accounts. . Understatement should be rectified. Will be accounted during the year 2019.

1.4 Non-compliances

Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
Extra Ordinary Gazette No. 1597/8 dated 17 April 2009.	<p>i. Constructions relevant to 35 building plans approved during the years 2015 and 2016 had not been inspected or certificates of conformity had not been issued.</p> <p>ii. Planning Committee approval had not been obtained in connection with 21 constructions carried out in the area of authority of the Pradeshiya Sabha.</p>	<p>Provisions in the gazette should be complied with.</p> <p>Provisions in the gazette should be complied with.</p>	<p>While certificates of conformity are being obtained by the relevant persons, matter will be investigated and legal action will be taken with regard to persons who do not respond. Certificates cannot be issued for plans not properly conformed to the formal matters.</p> <p>A field inspection was carried out and awareness was created with regard to unauthorized constructions while a part of constructions had obtained the approval. Other constructions will be inspected again and necessary action will be taken in due course.</p>

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 2018 amounted to Rs.9,915,221 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 11,458,867 .

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total Arrears as at 31 December Rs.
(i) Rates and Taxes	215,538	215,538	128,328	87,210	215,538	215,538	157,168	58,370
(ii) Rent	600,000	556,120	556,120	-	500,000	611,720	611,720	-
(iii) License Fees	400,000	349,700	349,700	-	400,000	342,960	342,960	-
(iv) Other Revenue	20,876,895	16,858,904	16,512,181	346,723	17,634,351	15,608,556	15,341,273	267,283
Total	22,092,433	17,980,262	17,546,329	433,933	18,749,889	16,778,774	16,453,121	325,653

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rates		
(i) Out of arrears of Rates Revenue amounting to Rs.133,278 at the beginning of the year under review, a sum of Rs. 112,123 had not been recovered during the year.	Arrears of Rates should be recovered.	While the revenue inspector has been informed to pay special attention, action will be taken to recover arrears through a mobile program.
(ii) Out of Rates Revenue amounting to Rs. 215,538 billed during the year under review, a sum of Rs. 87,210 had not been recovered as at 31 December.		While the revenue inspector has been informed to pay special attention, action will be taken to recover arrears through a mobile program.
(b) Lease Rent		
Arrears of Lease rent amounting to 173,198 due on account of 03 properties lease out belong to the Sabha had not been recovered.	Arrears of Lease Rent should be recovered.	An arrears sum of Rs. 42,046 has been recovered as at 30 April 2019.

2.2.3 Stalls Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) While 142 stalls leased out on long term basis had been assessed for the last time during the year 2013, without recovering rent at least on the basis of that assessment, rent had been recovered by adding 40 percent to the value assessed during the year 2006. Although more than 05 years have elapsed after the assessment made in 2013, revenue of Rs. 9,021,484 had been lost to the Sabha due to non-recovery of rent based on that assessment.	Lease Rent should be recovered based on the new assessment.	While assessors came from the Valuation Department to assess stalls afresh on 22 April 2019, action will be taken to recover newly assessed rent accordingly, after receiving new assessments.

- (b) Arrears of Lease Rent amounting to Rs.125,611 due in respect of 157 stalls leased out on long term basis had not been recovered. Arrears of Stalls Rent should be recovered. While a sum of Rs. 95,355 has been recovered out of arrears as at 30 April 2019, action will be taken to recover the balance arrears.

2.2.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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Arrears of Court Fines amounting to Rs. 1,642,210 and arrears of Stamp Fees amounting to Rs.1,869,372 due as at 31 December of the year under review had not been recovered.	Arrears of Court Fines and Stamp Fees should be recovered.	While Court Fines amounting to Rs.1,284,943 and Stamp Fees amounting to Rs. 1,144,309 has been recovered during the year 2019, action will be taken to recover balance amounts.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act to perform 30 main tasks, by-laws had not been imposed for 5 tasks out of those even as at 31 December of the year under review.	By-laws should be imposed for tasks for which by-laws have not been imposed.	By-laws will be prepared for balance tasks in due course. .

(b) Sustainable Development Goals

Audit Observation

Recommendation

Comments of the Accounting Officer

Although the Sabha was aware of the “Sustainable development Agenda – 2030” of the United Nations, indexes for measuring sustainable development objectives and targets applicable to the Sabha had not been identified.

Indexes for measuring sustainable development objectives and targets applicable to the Sabha should be identified and progress relating to reaching goals annually should be measured.

Goals and indexes relevant to the establishment will be identified and action will be taken in due course.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to carry out relevant works and issue environmental permits with regard to 34 business entities functioning in the area of authority of the Sabha liable to obtain environmental licenses.

These business entities should be inspected and environmental permits should be given having recovered the specified charges.

Parties liable to obtain permits have been informed to obtain the permits and legal action will be taken against those who do not obtain the permits.

3.3 Human Resources Management

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Non-approved Cadre

Approval had not been obtained for 8 employees in excess of the approved cadre relevant to 5 posts of the Sabha as at 31 December of the year under review.

Approval should be obtained for excess posts of the staff.

Commissioner of Local Government was informed through monthly report on staff.

(b) Staff Vacancies

According to the approved cadre, there were 7 vacancies relevant to 6 posts of the Sabha as at 31 December of the year under review.

Vacancies in the cadre should be filled.

Commissioner of Local Government was informed through monthly report on staff.

3.4 Assets Management

Audit Observation

Recommendation

Comments of the Accounting Officer

3.4.1 Although there are 225 roads according to the Roads Inventory maintained by the Sabha, action had not been taken to publish 116 roads out of those through the gazette.

Action should be taken to publish through the gazette.

Action will be taken to publish through the gazette.

3.4.2 Assets not Vested

Audit Observation

Recommendation

Comments of the Accounting Officer

While action had not been taken to vest legal ownership of 46 blocks of land in extent of 32 acres and 18 perches, survey works of 42 blocks of lands belong to the Sabha had not been carried out.

Survey works of lands belong to the Sabha should be carried out and legal ownership should be vested.

Action will be taken to inform relevant institutions and to vest the lands.

3.4.3 Idle Assets

Audit Observation

A Hand Tractor and an Earth Compact Machine belong to the Sabha remained idle without being used since the years 2012 and 2017 respectively.

Recommendation

Action should be taken to use or for disposal.

Comments of the Accounting Officer

Quotations have been called for, to repair and will be used after repairs.

3.5 Contracts Administration

Audit Observation

Action had not been to fulfill 18 activities mentioned in the Annual Action Plan.

Recommendation

Activities mentioned in the Action Plan should be performed or Action Plan should be revised.

Comments of the Accounting Officer

It was not possible to perform activities due to, reasons such as, shortage of officers, increase cost in taking legal action for recovering arrears of rent, lack of funds to fulfill works.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

When estimated revenue and expenditure shown in the budget for the year under review are compared with the actual revenue and expenditure, variations from 22 percent to 59 percent in 03 revenue items and variations from 13 percent to 219 percent in 05 items of expenditure were observed.

Recommendation

A correct budget should be prepared and goals shown therein should be reached.

Comments of the Accounting Officer

Variations occurred due to reasons such as deployment of machines for road repairs instead of renting out, adjusting payments made out of revenue to expenditure heads revenue.

4.2 Internal Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

An Internal Audit had not been carried out for the year under review.

Internal audit work should be carried out.

No information is available to support that internal audit was done.

4.3 Audit and Management Committee

Audit Observation

Recommendation

Comments of the Accounting Officer

An Audit and Management Committee had not been established as per internal audit guidelines in Circular No. DMA/2009(01) dated 9 June 2009 of the Management Audit Department.

An Audit and Management Committee should be established and conducted in the Sabha.

While a Committee was established on 24 March 2016, two quarterly meetings in 2018 had been held in the office of the Commissioner of Local Government as well.