

Medirigiriya Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 29 May 2019 and 24 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(i). The Interest Income of Rs.245,143 had not been accounted for two Fixed Deposits were in two State Banks .	Actions should be taken to reveal the accurate value and account.	The Balances as they received had been adjusted under Journal Entries No.17 and 73.
(ii). The amount of Court Fines for the November and December Months and the Stamp Duty for the year 2018 had not been identified and accounted.	The Court Fines and the Stamp Duty should be identified and accounted for the year under review.	Acknowledgements had been sent to the Provincial revenue Department at several instances asking to recover the Court Fines and the Stamp Duty for the year 2018.
(iii). Even though the Balance of the Accumulated Funs and Shortages Account preceding year had been Rs.34,506,547 the Opening balance of the Ledger Account for the year under review had been	Should be identified the correct value and note the opening Balance.	Agreed.

Rs.31,814,523 understated by
Rs.2,692,024.

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| (iv). | The values of 50 Lands and 45 Buildings that Sabha had being occupied had not been assessed and accounted. | Should be assessed and accounted. | The Documents had been sent to the relevant institutions to acquire. |
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(b) Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
(i). A difference of Rs.255,000 had been appeared in the value of a Backo Loader between the balances of the balance of the Assets Register of Rs.16,695,000 and the balance of the financial statements of Rs.16,950,000.	Actions should be taken to reveal the accurate value and account.	Agreed. Inform that it had been adjusted.
(ii). A difference of Rs.29,125,914 had been appeared between the balances of the balance of the Common and Industrial Creditors of Rs.1,307,984 and the balance of the financial statements of Rs.30,433,898	Actions should be taken to correct the documents and registers.	Actions would be taken to correct.
(iii). A difference of Rs.30,680,892 had been appeared between the balances of the balance of the Miscellaneous and Industrial Debtors of Rs.2,133,534 and the balance of the financial statements of Rs.32,814,426.	Actions should be taken to correct the documents and registers.	Actions would be taken to correct.
(iv). A difference of Rs.3,327,294 had been appeared between the balances of the balance appeared in the value of Cash and Cash Equivalent things in the Cash Flow Statement, of Rs.16,601,666 and the value of Cash and Cash Equivalent things of Rs.19,928,960 in the No.11 of financial statements.	Accounts should be corrected after necessary reconciliations.	Agreed. The value of the fixed deposits had been also entered in the Cash and Cash Equivalent things.
(v). A difference of Rs.2,068,846 had been appeared between the balances of the balance of Accumulated Funds in the	Accounts should be corrected after necessary reconciliations.	Agreed. Actions would be taken to correct.

financial statements as at the 31 December 2018 of Rs.32,437,701 and the balance of the Ledger of Rs.34,506,547 .

(c) Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Value of Rs.126,884,602 on 06 items of accounts could not be satisfactorily vouched during the audit due to non rendition of necessary information.	Evidence for confirming the balances of accounts in the financial statements should be furnished.	Agreed. Actions should be taken to make it correct.

(d) Receivable and Payable Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
(i). Actions had not been taken to recover the accumulated amount of Rs.259,814 relevant to 20 receivable balances continuously inherited in the Financial Statements for the year under review from 1997-2017 years.	Actions should be taken to reveal the receivables and recover.	An acceptance to remove Rs.23,911 from the accounts, because of the disease and the leaving the residence of the lessees, had been requested. Rs.1,519 had been recovered in the year 2019 and the actions would be taken to recover the rest.
(ii). Actions had not been taken to recover the accumulated value of 04 Industrial Creditors balances over 1-2 years stated in the Financial Statements of Rs.1,361,024 at the end of the year under review.	Actions would be taken to recover the Creditor balances.	Agreed. Actions would be taken to recover.
(iii). Actions had not been taken to settle the accumulated value of 08 Industrial Debtors balances over 1-2 years stated in the Financial Statements of Rs.1,693,026 at the end of the year under review.	Actions should be taken to identify the Payable accounts and settle.	Agreed. An amount of Rs.365,100 had been settled in the year 2019 and actions would be taken to settle the rest.

- (iv). Action had not been taken to settle 79 Tender Deposits from year 2011 to year 2016 value of Rs.1,864,825. Actions should be taken to identify the Payable accounts and settle. Actions would be taken to correct.
- (v). Actions had not been taken to settle 10 Industrial Deposits from year 2010 to year 2016 value of Rs.1,265,119. Actions should be taken to identify the Payable accounts and settle. Actions would be taken to correct.

1.4 Non Compliances

----- Non-compliance with Laws, Rules, Regulations and Management Decisions -----

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
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(a) <u>Pradeshia Sabha Act No.15 of 1987</u>			
(i) <u>Section 147 and 149</u>	Licence Fees had not been recovered from most of the Business Places within the Sabha Territory.	Actions should be taken to charge the Licence Fees from all the Business Places.	A list had been prepared.
(ii) <u>Section 150(i), 152(i) and 153(i)</u>	A list had not been prepared for the Industries, Trade and Businesses, Professions and Lands not Developed for the year under review.	Actions should be taken to make the relevant lists.	List of the Industries, Trade and Businesses had been prepared. Actions would be taken to prepare the list for the Professions and Lands not Developed.
(iii) <u>Section 158</u>	The Warrant Notices had not been issued for not paying the arrears Rates and fines had not been charged for the late rates.	Actions should be taken to issue the Warrant Notices for not paying rates and fines should be charged for the late rates.	Agreed. The Fines could not be charged for the late rates because the Warrant Notices had not been issued.
(b) <u>1988 Pradeshia Sabha (Finance and Administration) Rules Rule No. 203 ,214 and 218</u>	Actions had not been taken accordingly to make a full Survey on the Property of the Sabha.	Full Survey should be done.	The Board of Survey had been done for the year ended 31 December 2018 and the actions would be taken to forward the report.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R 1645 paragraph(b)

Log entries had not been made on 07 instances on the repairing and purchasing spare parts for the vehicles of Rs.150,427

Actions should be taken to make the Log Entries.

Actions would be taken to correct.

1.5 Transactions not Verified by Necessary Authority

Audit Observations

Recommendations

Comments of the Accounting Officer

The Employee Guarantee Deposits Account balance of Rs.81,836 had been removed by the Employee Guarantee Deposits Account by the Journal Entry No.05 without sufficient authority.

Actions should be taken to account Employee Guarantee Deposits.

Agreed. Actions would be taken to make it correct when making the Final Accounts for the year 2019.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.5,733,289 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,123,961.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	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) Rates and Taxes	2,946,160	3,428,682	3,197,660	3,997,322	2,622,000	2,945,700	2,594,159	3,766,601
(ii) Rent	5,679,440	9,318,248	9,087,225	261,691	7,551,000	4,406,499	4,406,499	259,815
(iii) Licence Fees	495,000	244,709	244,709	-	465,000	152,979	152,979	-
(iv) Other Revenue	12,161,650	11,815,145	11,584,123	10,845,837	10,119,500	9,713,280	9,713,280	19,557,724
(v) Salary Reimbursements	45,762,000	27,182,874	26,951,852	-	28,764,000	22,921,626	22,921,626	-
(vi) Salary Reimbursements with Other Revenue	57,923,650	38,998,020	38,766,998	-	38,883,500	32,634,907	32,634,907	19,557,724
Total	124,967,900	90,987,678	89,832,567	15,104,850	88,405,000	72,774,991	72,423,450	43,141,864

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though Sabha had been estimated Rs.124,967,900 of Revenue, the amount of revenue recovered had been Rs.89,832,567 and that had been 72% of the Estimated Revenue.	Actions should be taken to fulfill the Estimated Revenue.	Agreed.

2.2.3 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) The arrears rates balance as at 31 December 2018 had been Rs.3,343,695 and that balance compared with the balance of the year 2017 had been improved by 7%.	Actions should be taken to recover the arrears Rates.	Agreed. Actions should be taken to recover the arrears in the year 2019.
(b) A sufficient consideration had not been given on recovering the arrears in the Water Charges as at 31 December 2018 for the Medirigiriya Pradeshiya Sabha of Rs.653,628.	Actions would be taken to recover the arrears Water Charges.	Actions would be taken to recover the arrears money.
(c) According to a survey report Sabha had been failed to recover the Business tax from 33 Entrepreneurs of Rs.82,800 for the year under review.	Actions should be taken as soon as possible to recover the Business tax.	Actions would be taken according to the Audit.

2.2.4 Rents

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though the Bakho Loader, Motor Grader, Lorry Water Bowser, Tipper had been put on service on rent basis, it had not been charged the money of	Actions should be taken to recover the arrears income.	Rs.209,100 had been recovered in the year 2019, Rs,21,900 had been for common purposes and the actions would be

Rs.989,155 as at 27 December 2018.

taken to recover the rest.

2.2.5 Other Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Even though there had been lot of Promotional Bulletin Boards all over within the Sabha Territory the fees had been charged only from 17 Boards of Rs.40,747.	Actions should be taken to charge from all the Bulletin Boards.	A survey on all the Promotional Bulletin Boards had been carried out and the boards had been removed which had not paid the charge after a notice for the persons to pay.
(b) Sabha had not been charged the charges that should be recovered revenue from the Three wheeler Parks Charges after legalization of it's by the by-laws.	Actions should be taken to make by-laws.	There are matters in the ability to charge it by by-laws because there had no Land owned to the Sabha.

2.2.6 Court Fines and Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
Receivable Court Fines as at 31 December 2018 of Rs.6,496,103 and Receivable Stamp Duty of Rs.4,349,737 from the Chief Secretary and the other officers of the Council.	Action should be taken to reveal and recover the Court Fines and Stamp Duty.	A request had been made from the Provincial Treasury to pay the arrears Court Fines and Stamp Duty.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) <u>By-laws</u> Even though by-laws should be imposed under the Section 126 of Pradeshiys Sbaha Act, by-laws had not been imposed for 10 matters as at 31 December 2018.	Actions should be taken to regulate the tasks bu imposing by-laws.	Agreed.
(b) <u>Action Plan</u> 04 tasks had not been completed because the annual budget had made provisions only for only11 matters of the annual action plan.	Provisions should be made according to the action plan.	Agreed.
(c) <u>Targets of Sustainable Development</u>		
(i). Even though the Sabha had aware of the Sustainable Development Targets introduced by United Nations they had not correctly identified the targets relevant to the Sabha.	Should identify the targets of the Sabha.	Actions would be taken with necessary consideration to all the matters in the future.
(ii). There had no processes for collecting data for the indices introduced by the Circular No. BD/CBD/4/1/2-2018 dated 31 July 2017 of the Department of National Budget when making the budget.	Should act according to the advices.	Actions would be taken with necessary consideration to all the matters in the future.
(iii). No processes for collecting data for the indices because there had no benchmarks to regulate when the tasks reaching their targets.	Actions should be taken to collect data.	Actions would be taken with necessary consideration to all the matters in the future.
(iv). Sabha had not identified the necessary financial provisions to reach the sustainable development targets in the years 2016, 2017 an 2018.	Actions should be taken to identify and fund.	Actions would be taken with necessary consideration to all the matters in the future.
(v). There was no any process to train the staff of the Sabha when reaching the targets and Sabha had not identified the other government institutions which they should join with when attaining the targets.	Necessary trainings should be carried out.	Actions would be taken with necessary consideration to all the matters in the future.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(a). Even though the Divulankadawala Weekly Fair had been built by Rs.2,247,853 under the Program of Pradeshiya Sabha Inter Villages Development, it had been remained idles for 04 years as at 31 December 2018.	Actions should be taken to utilize the Assets.	Agreed.
(b). Sabha had been failed to recover the fines from illegal constructions and constructions delayed to make legal.	Actions should be taken to make the constructions legal.	Informed legalize the constructions legal. Even though they had come to make them legal, failed to show the proof documents of the ownership of the lands.

3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
(a). The Secretary post had been vacant and a lady had been covered the duties of the Secretary from 21 October 2017.	Actions should be taken to fill up the vacancies.	This Post had been informed to the Public Service Commission and North Central Provincial Department.
(b). 07 posts of, as 03 Secondary Level Development Officers, a Librarian, a Work Inspector and a Montessori Teacher had been kept vacant and 02 posts had been recruited that had not been in the approved Carder.	Actions should be taken to fill up the vacancies according to the approved cadre and the cadre should be updated accordingly.	A request had been made to fill up the vacancies and the excess had been used to cover up the duties of the vacant posts.

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| (c). | 03 posts of, as a of Primary Level Driver, a Plumber, Water Pump Operator had been kept vacant and 09 persons had been recruited for 02 posts of office Assistants, a post of Field Labourer, a post of Sanitary Labourer and 05 posts of Library Assistants that had not been in the approved Carder. | Actions should be taken to fill up the vacancies according to the approved cadre and the cadre should be updated accordingly. | The excess amount of cadre had been appointed because of the responsibilities of Sabha had become more complicated and the Pilisaru Project had implemented. |
| (d). | 07 employees had been recruited on temporary basis for 07 posts that had not been in the approved cadre. | The Cadre should be approved on the amendments of the need for Staff. | The temporary cadre had been recruited for the Projects and to regulate the disposal of garbage and a request had been made from the Department of Local Authorities to increase the Staff. |
| (e). | Employee Loans
Actions had not been taken to recover from the relevant Officers or the Guarantors 02 Balances of Employee Loans as at 31 December 2018 of Rs.45,026. | Actions should be taken according to the Regulations of the Establishment Code as soon as possible. | 03 Employee Loan Balances of Rs.21,147 had been recovered and Rs.32,679 relevant to a diseased officer had been requested to remove. |

3.4 Assets Management

3.4.1 Making Lists of Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) The value of 06 balances of Machinery of Rs.733,500, the value of 08 Furniture and Equipments of Rs.259,427 and the value of 02 Monitors of Rs.32,400 had not been entered in the Fixed Assets Registers.	The Fixed Assets should be updated.	Action would be taken to make it correct.

3.4.2 Vehicle Utilization

Audit Observations	Recommendations	Comments of the Accounting Officer
(a). The Fuel amounts consumed inside the Sabha had not been investigated and entered in the Log Entry Books.	The Fuel amounts consumed inside the Sabha should be investigated and entered in the Log Entry Books.	Actions would be made to investigate the consumption of fuel in few vehicles.
(b). Actions had not been taken to acquire the ownership of 02 vehicles to the Sabha.	Actions should be taken to acquire the ownership.	Informed to the Commissioner of Motor Traffic about the 02 vehicles and because of the vehicles had been purchased on Credit Basis, the registration certificates would be kept by the Financial Institution.

3.4.3 Idle/Underutilized Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
03 vehicles owned by the Sabha had been remained idled and subjected to Natural Disasters for 1 to 10 years.	The assets should be repaired that could be reused and assets should be discarded that could not be used.	Actions would be taken to repair 02 vehicles and send one to the Chief Secretary Office.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
The variances had been discovered in 06 revenue items of 9%-74% and in 08 items of expenditure of 6%- 96% when comparing them between the Estimated revenue and Expenditure with the Actual Revenue and Expenditure.	The Budget Report should be used as an efficient control tool.	Agreed. Actions should be taken to correct in the year 2019.

4.2 Audit and Management Committee

Audit Observation

Even though the Audit and Management Committee meetings should be hold every 02 months according to the letter No.NCP/CS/01-Audit dated 11 May 2016 of the Chief Minister of the North Central Province, only one Audit and Management Committee Meeting had been hold for the year 2018.

Recommendation

Audit and Management Committee Meetings should be hold every 02 months.

Comments of the Accounting Officer

Agreed and informed that would be commenced in the year 2019.