

Mihinthalaya Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 12 March 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 21 August 2020 and 10 September 2020 respectively.

1.2 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph “Basis for adverse Opinion” of this report, the financial statements do not give a true and fair view of the financial position of the Mihinthalaya Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Adverse Opinion

(a) Presentation of Financial Statements

Audit Observation

In the presentation of comparison accounts, the previous year's deficit was Rs. 2,560,205 but it had been stated as Rs. 12,730,178.

Recommendation

Financial statements should be submitted accurately.

Comment of the
Accounting Officer

Agree.

(b) Accounting Deficiencies

Audit Observation

(i) Court fines and stamp duty income of Rs. 3,161,025 in the year under review had been stated as expenditure under the Expenditure Head of, grants, contributions and subsidies.

Recommendation

Accounts should be properly kept.

Comment of the
Accounting Officer

Agree.

(ii)	The billed stall rent income of Rs. 2,500,800 pertaining to the year under review had been stated as Rs. 1,428,400 in the financial statements, thus understating by Rs. 1,072,400.	Accounts should be properly kept.	Agree.
(iii)	Although the tender property lease billing revenue for the year under review was Rs. 1,309,250, it had been stated in the financial statements as Rs. 1,751,006, thus overstating by Rs. 441,756.	Accounts should be properly kept.	Agree.
(iv)	. A sum of Rs. 1,042,985 received during the year under review for tender leasing pertaining to the year 2020 had not been stated as liabilities in the financial statements.	Accounts should be properly kept.	Agree.
(v)	The billboards revenue for the year under review amounting to Rs. 344,225 had been stated as Rs. 373,025 in financial statements and accordingly a sum of Rs. 28,800 had been overstated and arrears of billboard revenue as at 31 December of the year under review amounting to Rs. 356,000 had not been accounted for.	Accounts should be properly kept.	Agree.
(vi)	The billed garbage revenue for the year under review amounting to Rs. 948,847 had been stated as Rs.1,677,541, thus overstating Rs. 728,694 in the financial statements.	Accounts should be properly kept.	Agree.
(vii)	Receivable and payable industrial debtors and creditors balance for 83 projects as at 31 December of the year under review amounting to Rs. 19,870,227 had not been stated as capital income and expenditure.	Accounts should be properly kept.	Agree.
(viii)	The retention money relating to the the construction of the weekly fair of Rs.1,138,441 had been released, but the value of those payments had been deducted from the bank account balance only and stated in the financial statements.	Accounts should be properly kept.	Agree.

(ix)	The previous year's creditors' payments of Rs.90,091 had been shown as an expenditure for the year under review in the sundry creditors' accounts and Rs. 78,806 remained payable as at 31 December of the year under review had not been shown as an expenditure for the year under review.	Accounts should be properly kept.	Agree.
(x)	The transfer of Rs.1,074,625 from the general deposit account to the industrial account for making payments for the industries in the year under review had been stated as other income and settlement of cash amounting to Rs.656,625 had been stated as general administrative expenses.	Accounts should be properly kept.	Agree.
(xi)	Receipts for security deposits and general deposits amounting to Rs. 370,025 had been shown as income for the year instead of being stated as a liability.	Accounts should be properly kept.	Agree.
(xii)	The total expenditure on salaries and wages of the health services for the month of December amounting to Rs.387,627 had been stated as Rs.578,609 in the financial statements, thus overstating by Rs. 190,982.	Accounts should be properly kept.	Agree.
(xiii)	The administrative expenses due from the Mihintale Divisional Secretariat for the Gamperaliya project amounting to Rs. 521,950 had not been stated in the financial statements and the withholding tax and stamp duty of Rs. 105,539 to be remitted to the Commissioner General of Inland Revenue as at 31 December of the year under review had been adjusted to the Accumulated Fund.	Accounts should be properly kept.	Agree.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) No acceptable evidence had been presented in respect of 09 items of accounts valued at Rs. 143,826,950.	Evidence confirming the account balances shown in the financial statements should be presented.	Agree.
(ii) No journal entries had been made to transfer the values of 18 revenue items amounting to Rs.82,212,276 and the values of 09 expenditure items amounting to Rs.87,892,734 to the financial operations statement of the ledger in the year under review.	Journal entries should be presented.	Agree.
(iii) The revenue records and revenue receipts schedules for the 09 revenue items amounting to Rs. 5,812,837 had not been submitted as at 31 December of the year under review.	Revenue records and schedules should be submitted.	All the records have been updated and those could not be submitted due to a mistake.

1.4 Non-compliance

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

Reference to laws, rules, regulations, and management decisions	Value	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Pradeshiya Sabha (Financial and Administrative) Rules, 1988	Rs.			
(i) Rule 161		The income and expenditure account had not been submitted in format PS17.	Financial rules should be followed.	Agree.

(ii) Rules 217 and 218		Register of land and buildings owned by the Sabha had not been maintained as per the format P.S.46 and not all land buildings were inspected once every year.	Financial rules should be followed.	Agree.
(b) Motor Traffic Act Chapter 203	-	A tractor, a trailer, a hand tractor and two water bowsers belonging to the Sabha had not been registered.	Action should be taken in accordance with the Act.	Action will be taken to correct this in the preparation of the financial statement for the year 2020.
(c) Butchers (Amendment) Act No. 13 of 2008 - Section 18 of Chapter 272	-	Permits had not been obtained for the slaughterhouse operating at a private location in the Katukeliya area.	Action should be taken in accordance with the Act.	The property could not be leased due to inability to take over this property to the Sabha.
(d) Circulars of the Commissioner of Local Government, North Central Province				
----- Circular No. 20/2002 dated 24 July 2002 and 20/2002 (i) dated 13 January 2015	39,525	(i) Although the incentive allowance payable from the inspection fee charged for land subdivisions, street lines and building plans is 50 per cent, the full inspection fee charged for the years 2018 and 2019 had been paid as incentives.	Action should be taken in accordance with the circular.	It is informed that action has been taken in accordance with a decision of the Sabha and according to the circular No. 20/2002 of the Local Government Department from 29.10.2019 to 24.07.2002.

39,705 (ii) Although the relevant allowance could be paid only to the officers participating in the field inspections, the allowances had also been paid to the parties who did not participate in the field inspections in 2018 and 2019. Action should be taken in accordance with the circular. It is informed that action has been taken in accordance with a decision of the Sabha and according to the circular No. 20/2002 of the Local Government Department from 29.10.2019 to 24.07.2002.

02. 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. 2,650,387 for the year ended 31 December 2019 as compared with the corresponding recurrent expenditure in excess of the revenue amounting to Rs. 2,560,205 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	948,500	1,177,050	1,177,050	-	968,750	1,191,830	983,210	480,820
(ii) Lease Rent	12,201,430	9,070,591	7,538,474	2,444,991	10,351,048	11,157,048	10,866,816	912,877
(iii) License fees	3,492,500	3,928,766	3,928,776	-	3,783,552	17,506,500	17,506,500	-
(iv) Other Income	2,068,000	3,666,708	-	8,677,405	1,789,800	1,325,166	5,595,844	5,010,697
Total	18,710,430	17,843,115	12,644,300	11,122,396	16,893,150	31,180,544	34,952,370	6,404,394

2.2.2 Rates and Taxes

Audit Observation

According to the Section 134 (i) of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to declared the developed areas in the Pradeshiya Sabha area and to charge the rates accordingly.

Recommendation

Develop areas should be gazetted and rates should be recovered accordingly.

Comment of the Accounting Officer

At present the assessment limit has been identified, mapped and submitted to the General Assembly for approval. Arrangements have been made to prepare the relevant criteria and submit it to the Local Government Department.

2.2.3 Lease Rent

Audit Observation

(a) According to the Local Government Commissioner's Circular No. 1980/46 dated 31 December 1980, it is required to revise the assessment of shops at least once every five years, but rent had been charged from 41 shops in the year under review based on the assessment done in the year 2009.

Recommendation

Action should be taken to charge rent on the new assessment.

Comment of the Accounting Officer

When the lessees were informed about the recovery of monthly assessment charge provided by the assessment report obtained, the lessees refused to pay the amount

(b) The outstanding lease rent due from 36 shops as at 31 December 2019 was Rs. 1,277,156.

Action should be taken to recover the arrears.

Action is being taken to report the matters regarding above arrears of lease rent to the District Court and obtain eviction orders.

2.2.4 License Fees

Audit Observation

According to Rules 59-66 of the Pradeshiya Sabha (Finance Administrative) Rules,1988, a survey had not been conducted on the institutions to be levied the trade licenses, industrial taxes and professional tax.

Recommendation

Surveys should be conducted in accordance with the rules and fees should be charged accordingly.

Comment of the Accounting Officer

Agree.

2.2.5 Other Income

Audit Observation

No action had been taken to settle the stamp duty for period from the years 2017 to 2019 from the Chief Secretary.

Recommendation

Action should be taken to recover the relevant charges.

Comment of the Accounting Officer

A sum of Rs. 4,434,484 including Rs. 2,821,534 identified as receivables for the years 2017, 2018 was received by the Sabha on 12.03.2020 as stamp duty. So far no call has been received from the Office of the Land Commissioner General to calculate the stamp duty for the year 2019.

3. 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 in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a) By-laws

Audit Observation

Although by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act to fulfill 28 main functions, by-laws had not been enacted with respect to the relevant matters by 31 December 2019.

Recommendation

Action should be taken to impose by-laws.

Comment of the Accounting Officer

By-laws have not been enacted for all those matters. Standard by-laws have been adopted and steps are being taken accordingly. A by-law compilation committee has been appointed at present and the necessary by-laws will be drafted accordingly in the future.

(b) Abandoned Tasks

Audit Observation

Recommendation

Comment of the Accounting Officer

During the year under review, approved 06 works valued at Rs. 6,970,000 had been abandoned without being implemented.

Action should be taken to implement the projects approved for the year.

Those will be implemented in the year 2020 as continuous projects.

(c) Delays in the Discharge of Functions

Audit Observation

Recommendation

Comment of the Accounting Officer

Three tasks that had been agreed to a value of Rs. 2,405,145 to be completed during the year under review had been delayed.

Action should be taken to complete the projects within the contract period.

Agree
The relevant contractor has been informed.

(d) Solid Waste Management

Audit Observation

Recommendation

Comment of the Accounting Officer

Due to the lack of a proper methodology for solid waste management, the collected garbage had been buried in open ground without sorting.

Necessary steps should be taken to carry out waste management process properly.

After allocating a land by the Divisional Secretariat, it is expected to start a formal project in collaboration with the Central Environmental Authority, Ministry of Local Government and Provincial Councils and thereby, to carry out a proper waste management process.

(e) Sustainable Development Goals

Audit Observation

Recommendation

Comment of the Accounting Officer

The Sabha had not taken action on Agenda 2030 on the United Nations Sustainable Development Goals.

Action should be taken to implement the Sustainable Development Agenda.

There is no officer in the council staff with formal knowledge of this matter. Accordingly, it is planned to make aware a suitable officer in this connection and take further action.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) A sum of Rs.202,000 due for the deployment of Sabha machinery and gully bowser for external purposes had not been recovered.	Before deploying machines and the gully bowser on rent, a charging system should be determined.	The machines have been deployed on the instructions of the Chairman / Vice Chairman and the Members.
(b) Although Rs.11,156,365 had been obtained from the Local Loan and Development Fund in 2011 for the construction of the library and auditorium, the relevant auditorium had not been constructed.	The objective for which the loan was obtained should be achieved.	These constructions have been done during a long time ago with the contribution of Local Loans and Development Funds. However, the entire construction of the building has not been completed. The existing building is used for public library, stores and other office activities. Construction of the upper floor is to be done.

3.3 Assets Management

3.3.1 Idle and Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
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A motorcycle, a two wheeler tractor, a bulldozer and a double cab worth Rs. 1,283,500 belonging to the Sabha remained idle for about 5 years.	Assets should be repaired, used or disposed of.	The motorcycle bearing No. 147-7729 was auctioned off but no one bought it, and the Cab bearing No.53-5046 is in a state of disrepair. Action will be taken to repair the small bulldozer and two wheelers tractor with stamp duty and court fines received.

3.3.2 Failure to Ensure Protection of the Assets

Audit Observation

Recommendation

Comment of the Accounting Officer

Forty shops built in 1980 had not been renovated or brought to a condition of reuse.

Relevant assets should be renovated and used to generate income.

The lessees have stopped paying monthly rent at these shops since October 2018 on the advice of the United Trade Union. The dilapidated condition of these shops and the filing of cases in the District Court seeking freehold ownership of the shops has given rise to above situation. Action is being taken to report the matter to the District Court and obtain an expulsion order to recover the arrears of rent for the shops.

3.3.3 Non-acquisition of Assets

Audit Observation

Recommendation

Comment of the Accounting Officer

The Sabha had not taken steps to take over the land worth Rs. 126,000 where the Katukeliyawa cattle slaughter was located.

Acquisitions should be done expeditiously.

Although there have been correspondence with the Mihintale Divisional Secretariat for a number of years to take over this land, no action has been taken so far to hand over the land to the Sabha .