

Medirigiriya Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of financial Statements

The Financial Statements for the year 2017 had been presented to audit on 20th March 2018 while the report of the Auditor General for the year under review was issued to Chairman on 19th September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects 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 Medirigiriya Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following facts were observed.

- (a) The court fines income for the November month Rs. 934,624 and the relevant court fines for December had not been identified and accounted in the accounts for the year under review.
- (b) The receivable income of stamp fees valued to Rs. 901,704 from August to December of the year 2017 had not been accounted.
- (c) A sum of Rs. 2,560,241 that had to be settled to the contractors for the Inter Development in The Second Generation Life Way Development Project of the Ministry of Economic Development which had been done through Pradeshiya Sabha. This amount had not been presented in the financial statement as payable and receivable amount.
- (d) The value of fuel and consumable items on 31st December 2017 had not been identified and accounted as stock in hand.
- (e) The receivable service income Rs. 504,700 which was in areas at the end of the year under review from the Pibidemu Polonnaruwa development project had been omitted in the financial statements.

1.3.2 Un-reconciled Accounts

Following facts are observed.

- (a) A difference of Rs. 45,804 was observed between the subsidiary records of employee security deposits which had been presented as Rs. 127,639 and the financial statement which had been presented as Rs. 81,835.
- (b) There was a difference of Rs. 312,988 between the balance of fixed assets account and the balance of contribution from revenue to capital outlay account.

- (c) There was a difference of Rs. 71,737 in the miscellaneous deposits account due to value of the financial statement had been shown as Rs. 619,930 and subsidiary records had been shown as Rs. 548,193 on 31st December 2017.
- (d) A difference of Rs. 1,612,785 was observed between creditors for expenditure and work done records.

1.3.3 Accounts Receivable and Payable

The following Observations are done.

- (a) Actions had not been taken according to the Local Government Commissioners Circular number 88/20 on 20th April 1988 about unrecoverable income in local government authorities on 17 balances in receivable accounts valued to Rs. 155,344 which had been arisen during 1997 - 2013
- (b) Actions had not been taken to settle Rs. 2,811,892 of work deposit in retention money during the year 2010 – 2015 on various projects.

1.3.4 Lack of Evidence for Audit

Six account subjects valued to Rs. 202,244,442 could not be satisfactorily vouched in audit due to the non-submission of required details.

1.3.5 Non-Compliances with Laws, Rules Regulations and Management decisions

Non-Compliances to Laws, Rules Regulations and Management decisions are as follows.

(a) Pradeshiya Sabha act no 15 of 1987

- | | | |
|-------|------------------------------------|---|
| (i) | Section 126(xxx) | By laws had not been imposed on displaying of advertisement to control regulate and recover tax |
| (ii) | Section 143 | An assessment for the development of land and buildings for four years had not been done. |
| (iii) | Section 147 and 149 | Licence fees had not been recovered from many premises in the territory of Sabha |
| (iv) | Sections 150(1), 152(1) and 153(1) | Lists had not been prepared about industrial premises, traders, professions and lands. |
| (v) | Section 152(2) | By-laws had not been prepared to recover tax from professionals. |

| | | | |
|-----|---|-----------------------|--|
| (b) | Preadeshiya Sabha Financial & Administrative Rules 1988 ----- | | |
| | (i) | Rule no 59 to 63 | Actions had not been taken to do a survey in the Sabha area to identify a list of traders and enterprises to charge due tax. |
| | (ii) | Rule no 203,204 & 218 | Overall survey of Sabha property had not been done. |
| (c) | Financial Regulation 104 of the Democratic Socialist Republic Sri Lanka | 3,939,000 | Report on loses and damages had not been prepared on broken bridge constructed under Inter Village project |
| (d) | Procument Guidelines ----- No 2.11.2 Guideline | | An attendance register had not been maintained for members of procurement committee. |

02. Financial Review

2.1 Financial Result

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31st December 2017 amounted to Rs. 6,027,436 as compared with the excess of revenue over expenditure amounting to Rs. 10,152,038 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated income, billed income, collected income and income in arrears

Estimated income, billed income, collected income and income in arrears for he year under review and for the preceding year are as follows.

| Income source | 2017 | | | | 2016 | | | |
|--------------------|------------------|---------------|------------------|--|------------------|---------------|------------------|--|
| | Estimated Income | Billed income | Collected income | Arears Income on 31 st December | Estimated Income | Billed income | Collected income | Arears Income on 31 st December |
| | ₹. | ₹. | ₹. | ₹. | ₹. | ₹. | ₹. | ₹. |
| (i) Tax and rates | 2,622,000 | 2,945,701 | 2,040,870 | 3,112,673 | 2,389,400 | 4,546,412 | 2,040,870 | 2,761,130 |
| (ii) Rent | 7,551,000 | 4,406,500 | 4,127,027 | 194,249 | 9,167,000 | 2,272,338 | 4,127,027 | 208,966 |
| (iii) License fees | 465,000 | 152,979 | 564,070 | - | 410,000 | 564,070 | 564,070 | - |
| (iv) Other income | 38,883,500 | 32,634,907 | 22,643,712 | 20,910,542 | 45,809,000 | 36,522,303 | 22,623,796 | 42,299,184 |
| | 49,521,500 | 40,140,087 | 29,375,679 | 24,217,464 | 57,775,400 | 43,905,123 | 29,355,763 | 45,269,280 |

2.2.2 Performance on Revenue Collection

Although the estimated income for the year under review Rs. 49,521,500 , the collected income had been Rs. 29,375,679. It was at a lower level of 59 percent of the estimated income.

2.2.3 Tax and Rates

Following observations are done.

- (a) The collected tax and rates income relevant to the prior year had been Rs. 377,319 which was 13 percent of the due income of Rs. 2,761,130 for the prior year. Actions had not been taken according to chapter 158 of Pradeshiya Sabha act to recover arrears rates income.
- (b) Industrial levy had not been collected from 12 institutions for the year under review, where in which Rs. 15,000 had been collected for the year 2016.

2.2.4 License Fees

The Following Observations are done.

- (a) In the inspection of recovery of licene fees, it was observed that about 75% of license fees had not been recovered in the 15 premises out of sample of 20 premises in the Medirigiriya town.
- (b) In the inspection done out of the Medirigiriya town area, from sample 04 shops all of 04 had not been recovered license fees.

2.2.5 Other Income

Following Observations are done.

- (a) As proper methods had not been followed to recover tax on advertisement boards a large amount of income had been lost. In the inspection done about 07km out of the town area it was observed that the tax on displayed advertisements belong to various institutions valued to Rs. 64,325 and one telecommunication institute valued to Rs. 80,000 had not get recovered.

- (b) The machinery rent income which had to be recovered from 4 late members since 2014 had not been recovered in the year under review too.

2.2.6 Court fines and stamp duty income.

Court fines Rs. 1,711,013 and stamp duty Rs. 9,683,039 had to be recovered on 31st December 2017 from the chief secretary of the Provincial Council.

03. Operating Review

3.1 Performance

The facts observed are mentioned bellow about the performance of activities which should have done by the Sabha such that regulating and controlling public health, common utility services and the matters of common roads, succession of people, convenience and welfare under the section 3 of Pradeshiya Sabha act.

(a) By laws

By laws had been imposed only on 42 activities by 31st December 2017 although there should be 52 main activities for enacting by laws under the section 122 of Pradeshiya Sabha act.

(b) Activities not performed

- (i) Three projects valued to Rs. 3,899,091 proposed to implement in 2017 by the administration committee had not been done.
- (ii) It had been allocated Rs. 12,520,292 on 6th November 2017 to repair old meat stall with the toilet at Diyasenpura under the Pradeshiya Sabha strengthening program. But it had been failed to implement that project in the year under review.

3.2 Management Inefficiencies

Following observations are done.

- (a) As there had not enough facilities in three shops in Diyasenpura, the bidders had not respond for those.
- (b) Under the Provincial Decentralized development program-2017 various instruments valued to Rs 450,000 had been donated to various parties. Actions had not been taken to feedback the method of selecting the beneficiaries Grama Niladari reports and whether the instruments implemented the donated purpose.

3.3 Human Resource Management

(a) Vacancies

On 31st December 2017 there had been vacancies in the posts of secretary, 3 posts of development officers and the post of technical officer.

3.4 Transactions in contentious nature

Under the provincial development program instruments valued to Rs. 50,000 for production of flower vase had been given to a person but no flower vase production business had done in the Sabha territory area.

3.5 Assets Management

Following Observations are done.

3.5.1 Assets not taken to posses

Actions had not been taken to get the possession and enter in the accounts, of the lands and buildings which should be considered as owned to the Sabha, including Pilisaruru solid waste project buildings and lands, 35 public playgrounds, 32 cemetery lands and one Ayurveda building and land.

3.5.2 Non repair and maintenance

In the Sabha area 323 tube wells had been established and since the date of establishment, those had not been cleaned or repaired, therefore 120 tube wells could not be used.

3.5.3 Idle and under-utilized assets

Four assets valued to Rs. 2,214,000 and two assets value unknown which belong to Sabha had been idle or under-utilized since 2 -10 years-time.

3.6 Procurement

3.6.1 Procurement Plan

A procurement plan had not been prepared for the year 2017 by the Sabha.

04. Accountability and Good Governance

4.1 Internal Audit

An internal audit had not been done during the year under review about the activities of Sabha.

4.2 Audit and Management Committees

Although it had been mentioned to conduct audit and Management committee meetings in every 2 months time according to the North Central Council Chief Ministers Circular number NCP/CS/01/Audit, dated 11th May 2016, the audit and Management Committee Meetings had not been conducted in the year 2017.

05. Systems and Controls

The deficiencies observed in the audit have been forward for the attention of Sabha from time to time. The special attention has to be given further for the following areas of control.

| System | Deficiency |
|--------------------------------|---|
| ----- | ----- |
| (a) Fixed assets | (i) Assets remaining under utilized (ii) Assesment of assets had not been done (iii) Security of assets not certified |
| (b) Accounting | (i) Collection of revenue and arrears of revenue had not been accounted. (ii) Not maintaining P.S 12 vote ledger (iii) Not balancing rates register |
| (c) Revenue Administration | (i) Not recovering arears income |
| (d) Debtors/ Creditors control | (ii) Not settling debtors and creditors |
| (e) Vehicle Control | (i) Not doing fuel tests (ii) Not maintaining the revenue registers as possible to get required information (iii) Not completing log entry books |