

**Medagama Pradeshiya Sabha**

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**Monaragala District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 15 June 2020 and 23 June 2020 respectively.

**1.2 Qualified Opinion**

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

**(a) Accounting Deficiencies**

Audit Observations	Recommendations	Comments of the Accounting Officer
Salaries in arrears amounting to Rs.37,305 paid for the preceding year had been accounted as an expenditure in year under review.	The Accounts should be prepared accurately.	Inform that this would be amended when preparing the Financial Reports for the year 2020.

**(b) Lack of Evidence for Audit**

Audit Observations	Recommendations	Comments of the Accounting Officer
Documents for prove the possession and the valuation reports on 02 items of Lands and Buildings of Rs.223,726,650 had not been rendered to the audit.	Evidence for confirming the balances declared in the financial statements should be furnished.	The Valuation reports on 74 Lands and Buildings are not available and Details on 37 Lands had been sent for the Divisional Secretary office to acquire them. Actions to prove the possession of the rest of the Assets but the cost could not be afforded therefore, inform that it is being considered the ability of accepting to carry out a certified valuation in the future.

## 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
(a) <u>Pradeshiya Sabha Act No.15 of 1987</u> <u>Section 24(1)(a)</u>	The Road inventory had not been updated since the year 2008 and 116 roads that recognized had not been published in the Gazette.	The roads inventory should be updated and published through the Gazette.	Inform that roads would be published in the Gazette after allocating the necessary provisions and the inventory would be updated.
(b) Extraordinary Gazette No.1597/8 dated 17 April 2009	44 building plans approved in the years 2014, 2015 and 2016 by the Sabha without obtaining the Certificates of Conformity.	The Constructions should be physically inspected and action should be taken according to the regulations of the Gazette.	07 persons of the years 2015 and 2016 had obtained the Certificates of Conformity after informing them and the other Certificates of Conformity could not be issued because the constructions had not been completed.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.5,240,890 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.9,915,221.

### 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	Estimated Revenue	2019		Total arrears as at 31 December	2018		Total arrears as at 31 December	
		Revenue Billed	Revenue Collected		Estimated Revenue	Revenue Billed		Revenue Collected
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,175,538	930,849	637,007	293,842	215,538	215,538	128,328	87,210
(ii) Rent	18,226,645	17,656,328	17,136,148	520,180	600,000	556,120	556,120	-
(iii) Licence Fees	635,300	586,397	546,684	39,713	400,000	349,700	349,700	-
(iv) Other Revenue	20,594,300	6,489,464	3,713,682	2,775,782	20,876,895	16,858,904	16,512,181	346,723
<b>Total</b>	<b>40,631,783</b>	<b>25,663,038</b>	<b>22,033,521</b>	<b>3,629,517</b>	<b>22,092,443</b>	<b>17,980,262</b>	<b>17,546,329</b>	<b>433,933</b>

## 2.2.2 Rates and Taxes

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) Rs.42,437 had not been recovered as at 31 December from the billed amount of rates income of Rs.215,538 and it had been 20 per cent of the total billed amount.	The arrears of rates should be recovered.	Inform that the revenue inspector had been informed with the information relevant to the recovering of the amount in arrears.
(b) Rs.127,752 had not been recovered from the rates income in arrears at the beginning of the year under review of Rs.199,333. That amount not recovered had been 64 per cent of the rates in arrears at the beginning of the year under review.	The arrears of rates should be recovered.	Inform that immediate actions would be taken in the future regarding this.

## 2.2.3 Stall Rent

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
An income of Rs.11,059,708 had been lost for the Sabha Fund as at 31 December in the year under review because of not recovering the monthly rent under the valuation of the Chief Valuer of the Uva Province, from 142 Stalls that had been long term leased.	Rents should be charged under the New Valuation.	Inform that a less rent than the assessed rent had been charged because of the protests of the shop owners under the approval of the minister in charge of the subject.

## 2.2.4 Water Charges

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Water Charges in arrears for over a year of Rs.7,424 and Rs.97,525 for the year under review had not been recovered.	Water Charges in arrears should be recovered.	Rs.26,442 had been charged as at 31.05.2020 and inform that the rest of the amount would be charged.

**2.2.5 Court Fines and Stamp Duty**

Audit Observations	Recommendations	Comments of the Accounting Officer
Court Fines of Rs.259,152 and Stamp Duty of Rs.2,508,650 had not been recovered as at 31 December of the year under review.	The arrears Court Fines and Stamp duty should be recovered.	Actions would be taken to recover the Court Fines and Rs.1,602,100 had been recovered as at may 2020 out of the Stamp Duty. Actions would be taken to recover the rest of the amount.

**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
<b>(a) <u>Action Plan</u></b>		
45 Activities of Rs. 64,470,000 entered in the Action Plan for the year under review had not been completed.	The Activities entered in the Action Plan should be completed.	Inform that the activities could not be completed because of the insufficient Provisions and not receiving the expected provisions.
<b>(b) <u>Solid Waste Management</u></b>		
The garbage had been dumped into a land near Karametiya area owned by the Department of Forest Conservation from 02 December 2008 but a production of organic fertilizer using decay garbage had not been implemented.	Actions should be taken to start a production of organic fertilizer using decay garbage.	Organic Fertilizer could not be produced because of not collecting garbage suitable for the production of Organic Fertilizer and the insufficient number of employees therefore consideration would be given on this matter in the future.

(c) **Targets of Sustainable Development**

The Sabha had not been identified the targets and the indices for measuring the Progress of the Sustainable Development Targets relevant to the Sabha and achieved them, Even though Sabha had been aware of the “Sustainable Development Goals Agenda of United Nations 2030”	Goals and Targets of the Sustainable Development and indices to measure the progress of achieving them should be identified and measured.	Inform that actions would be taken to identify the targets and the indices.
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**3.2 Human Resources Management**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
08 excesses for 04 posts and 13 vacancies for 10 posts had been remained as at 31 December of the year under review.	The vacancies should be filled and the excess number of employees should be approved.	Inform that the Commissioner of Local Government had been informed by the Monthly Staff Report.

**3.3 Assets Management**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) 58 lands owned by the Sabha in several sizes had not been surveyed and also actions had not been taken to acquire the legal possession of 93 Lands.	All the Lands owned by the Sabha should be surveyed and legally acquired.	The order had been received to survey part of the lands and inform that actions would be taken to survey the rest of the lands.
(b) 459 books issued to the readers cost value of Rs.93,933 belongs to in 03 Libraries owned by the Sabha from the year 2009 to the end of the year under review had not been obtained or claimed money for them.	Actions should be taken to obtain the books back from the readers or claim money.	Inform that 348 Books had been received.

(c) Vehicle Utilization

Not Preparing Estimates and Finished Work Reports

03 Vehicles and Machinery owned by the Sabha had been run for 1967.7 metre hours from 01 January 2019 to 31 August 2019 by consuming fuel of Rs.1,575,574 according to its running charts. But the finished work reports and the estimates for 22 industries had not been prepared.

The estimates and the Work Completion Reports should be prepared.

Inform that the Work Completion Reports and the estimates would be prepared in the future.

**3.4 Contract Administration**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

75 works of Rs.12,150,000 had not been completed which had been allocated provisions by the Budget for the year under review.

The works entered in the budget should be completed.

Inform that it could not be implemented because of not receiving the expected amount of provisions.

**4. Accountability and Good Governance**

**4.1 Internal Audit**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

Sabha had not been carried out a proper Internal Audit for the year under review.

A proper Internal Audit should be carried out.

Inform that an internal auditor had been appointed and actions would be taken to carry on an internal audit next year.

**4.2 Audit and Management Committee**

**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

Audit and Management Committee had not been held for the year under review.

Audit and Management Committee should be held in the Sabha.

Inform that an Audit and Management Committee had been appointed on 24 March 2016 and meetings for the 03 Quarters in year 2019 had been held in the Commissioner of Local Government Offices.