

Mihintale Pradeshiya Sabha

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 20 April 2012 and the financial statements for the preceding year had been presented on 09 August 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 October 2012.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Mihintale Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Mihintale Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year than ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

A summary of the accounting deficiencies existed in the financial statements and the effect on the financial statements of such deficiencies is shown below.

Nature of the Deficiency	No. of Items	Value	
		Expenditure	Assets
		Rs'000	Rs'000
(a) Omissions from the financial statements	} 03	-	94
-do-		38	-
(b) Understatements in the financial statements	} 02	193	-
(c) Overstatements in the financial statements		} 03	32
(d) Inappropriate disclosures in the financial statements	} 02		-

1.3.2 Unreconciled Accounts

The total of the balances of 07 items of accounts amounted to Rs. 45,932,634 and the total of the said account balances as per subsidiary registers / records amounted to Rs. 49,615,011

1.3.3 Lack of Evidence for Audit

Eleven items of accounts totaling Rs.539,355 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.4 Fictitious Assets

Assets costing Rs. 210,650 relating to 06 items that had not been in use from year 2008 and prior years had been disclosed as assets in the balance sheet of the financial statements as at 31 December 2011.

2. Financial and Operating 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 2011 amounted to Rs.117,868 as compared with the excess of revenue over recurrent expenditure amounting to Rs.999,695 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	2,021	2,019	734
(ii) Lease Rent	908	937	30
(iii) Licence Fees	569	569	-
(iv) Other Revenue	1,035	1,003	1,393

2.2.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	368,806
(ii) Stamp Fees	279,663

2.2.3 Rates and Taxes

Action had not been taken in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987 to identify and publish the developed areas situated within the area of control of the Sabha and to recover rates thereon.

2.2.4 Lease Rent

Adequate steps had not been taken to recover outstanding lease rent amounting to Rs. 510,268 due for over 03 years.

2.3 Assets Management

2.3.1 Idle Physical Assets

The following observations are made.

- (a) The cattle slaughter house constructed at Katukeliyawa area at an expenditure of Rs. 300,000 during 2008 had been closed down from February 2011, because according to the report submitted by the Public Health Inspector, operating this slaughter house any further affects the public health adversely

- (b) Three items of fixed assets valued at Rs. 836,900 as at end of the year under review had remained idle due to non usage although these assets were in usable condition.

2.3.2 Employees Loans

Balances of 07 employees loans accounts totaling Rs. 77,986 had been outstanding as at 31 December 2011 for over 10 years.

2.3.3 Accounts Receivable

Action had not been taken to settle 06 items of accounts receivable amounting to Rs. 1,019,598 brought forward for over a few years.

2.4 Contract Administration

It had been proposed to construct a two storyed building for a Agri Marketing Centre at Mihintale and the columns of the ground floor of the Marketing Centre and the concrete slab had been completed at an expenditure of Rs. 3,603,053 during the period 2008 to 2010 and the constructions had been stopped after that. As the balance work had not been completed due to the non-availability of provisions, the Agri Marketing Centre could not be implemented.

2.5 Operating / Management Inefficiencies

The following observations are made.

- (a) Although the Pradeshiya Sabha had issued 79 licence for construction of buildings as at 31 December 2011, action had not been taken to check whether the constructions have been done according to the approved plans and outside the

limits fixed by Section 49 of the Pradeshiya Sabha Act No. 15 of 1987 and to issue the conformity certificates.

- (b) According to letter No. NCP/PSC/PA1/04 of 02 October 2010 of the North Central Province Public Service Commission, a staff of 24 had been approved for 14 posts for the Pradeshiya Sabha. However, salaries amounting to Rs. 1,313,274 had been paid during the year under review for 08 employees recruited in excess of the approved limit
- (c) A corporate plan including the plans relating to the activities for the future years and an action plan including the activities expected to carry out during the year under review had not been prepared and implemented.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Assets Management
- (c) Revenue Administration