

Medadumbara Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 11 May 2015 while Financial Statements relating to the preceding year had been submitted on 22 May 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 27 July 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Medadumbara Pradeshiya Sabha as at 31 December 2014 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 Non-compliance with Generally Accepted Accounting Principles

Although accrual principle should be followed in preparation of accounts, cash basis had been followed with regard to Environmental License Revenue and Library Fines.

1.3.2 Accounting Deficiencies

Following matters are observed.

- (a) Accrued Work Creditors amounting to Rs.50,062,828 at the end of the year under review had been debited to Accumulated Fund.
- (b) Revenue Debtors in Arrears totaling Rs.3,421,054 and Sundry Debtors totaling Rs.29,036 had been accounted as Capital Grants in Arrears.
- (c) Value of 03 vehicles of which ownership not transferred in favor of the Sabha amounting to Rs.8,490,000 that should be disclosed through a note to accounts had been accounted under Motor Vehicles and Carts Accounts.
- (d) Foton Drump Truck Vehicle received to the Sabha as a donation on 19 December 2014 of which ownership not transferred in favor of the Sabha had not been disclosed in the financial statements.

1.3.3 Non-reconciled Control Accounts

When the balances of 02 items of accounts according to the financial statements are compared with the balances in the ledger accounts and the balances mentioned in the letters of confirmation, a non- reconciliation in a sum of Rs.338,823 was revealed.

1.3.4 Accounts Receivable

While the total value of 03 Accounts Receivable balances as at 31 December 2014 was Rs.59,120,689, out of that the total of account Balances which had exceeded a period of one year had been Rs.8,161,110.

1.3.5 Accounts Payable

Out of the total value of 03 Accounts Payable balances as at 31 December 2014 amounting to Rs.62,615,154, the total of account balances which had exceeded a period of one year had been Rs.10,350,848.

1.3.6 Lack of Evidence for Audit

Transactions totaling Rs.44,116,216 relating to 05 items of accounts could not be satisfactorily examined in audit due to non-submission of required information to audit.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to laws, rules, regulations etc.	Non-compliance
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(a) Financial Regulations of the Republic of Sri Lanka ----- F.R. 104	Although the Tractor bearing No.252-6479 had met with an accident and repaired having spent Rs.74,850 , a preliminary enquiry with regard to that had not been carried out even up to the end of the year under review.
(b) National Environment Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000 and the relevant Special Gazette Notification No. 1533/16 dated 25	Environment Permits had not been issued for 39 industries falling under the categories liable to be issued with Environment Protection Permits. Due to

January 2008 and Gazette Notification No. 1841 dated 13 December 2013.

this, it had been possible to carry on industries improperly, causing public nuisance while revenue receivable to the Sabha too had been lost.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.2,652,343 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year had been Rs.12,211,899 accordingly a decrease of Rs.9,559,556 was observed in the financial result.

2.2 Revenue Administration

2.2.1 Rates

While there was a balance of Rates in arrears amounting to Rs.2,122,080 at the beginning of the year under review, billings during the year had been Rs.1,525,172. Percentage of recovery during the year out of arrears had been 18 per cent, while it had been 63 per cent out of billing. A balance of arrears amounting to Rs.2,325,510 was observed as at 31 December 2014. Although a further sum of Rs.2,038,162 was outstanding to be recovered as at 30 June 2015 out of this balance, action had not been taken in terms of Section 158 of the Pradeshiya Sabha Act No.15 Of 1987.

2.2.2. Lease Rent

- (a) While there was a Lease Rent Balance in arrears amounting to Rs.3,449,349 as at the date of end of the year under review, a proper procedure had not been followed for recovery of those amounts in arrears.
- (b) While there was a Stalls Rent Balance in arrears amounting to Rs.757,400 at the beginning of the year under review, billings during the year amounted to Rs.1,380,000. Out of that, 6 per cent and 12 per cent had been recovered respectively during the year. Accordingly, there was a balance of arrears amounting to Rs.1,922,036 at the end of the year under review.

2.2.3 License Fees

At the beginning of the year Fees in arrears had not been there, as Trade License Fees had not been billed during the preceding year. While a balance of Trade License Fees in arrears amounting Rs.114,850 was observed at the date of end of the year under review, out of that, a sum of Rs.60,850 was due to be recovered further as at 30 June 2015.

2.2.4 Water Charges

- (i) While there was a Balance in arrears amounting to Rs.1,006,182 at the beginning of the year under review, billings during the year amounted to Rs.1,635,464. Out of that, 50 per cent and 64 per cent had been recovered respectively during the year. Accordingly, there was a balance of arrears amounting to Rs.1,101,452 at the end of the year under review. Out of this balance, a sum of Rs.713,877 was due to be recovered further as at 30 June 2015. A proper procedure had not been implemented for recovery of those amounts in arrears.
- (ii) Water Meters relevant to 214 water connections provided through 05 Water Supply Schemes implemented by the Sabha had not been fixed.

2.2.5 Acreage Tax

While billings during the year to the opening balance of arrears amounting to Rs.80,540 had been Rs.35,204, percentage of recovery of that revenue had been 8 per cent and 18 per cent respectively. While a balance of arrears amounting to Rs.107,587 was revealed as at the date of end of the year under review, a balance of Rs.79,392 was due to be recovered further as at 30 June 2015. Action in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken in this connection.

2.2.6 Telephone Transmission Tower Charges

While annual License Fees of 24 Telephone Transmission Towers erected in the area of authority of the Sabha during the period from 2009 to 2014 had not been recovered, a revenue totaling Rs.321,000 from the year 2009 to the year under review had been lost to the Sabha.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Payment of pension contributions had been defaulted by the Sabha and due to that, the balance of arrears payable to the Director General of Pensions as at 31 December of the year under review amounted to Rs.2,618,611.
- (b) While 10 posts out of 82 posts of the cadre of the Sabha had been vacant, there was a surplus of 03 in the posts of Technical Officer, Watcher and Library Assistant.
- (c) A sum of Rs.3,038,539 had been paid as salaries and allowances to 21 substitute employees recruited without approval during the year under review.

- (d) The Sabha had not acted under its own authority, and as a result 19 cases had been filed against the Sabha as at 30 may 2015 by outside individuals.
- (e) Any course of action had not been taken with regard to 15 unauthorized constructions out 19 constructions identified during the year under review. Action was being taken to legalize 02 unauthorized constructions without recovering any fine.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) Action had not been taken even up to end of the year under review to get settled a balance of Work Debtors amounting to Rs.1,026,860 which was being brought forward from a period prior to the year 2012.
- (b) Action had not been taken to recover Loan balances amounting to Rs.39,867 of 19 officers and employees who had retired, dismissed from service and left on transfers, due over a period of 10 years.
- (c) Although 83 books valued at Rs.22,505 lent through 05 libraries of the Sabha had not been returned back to the Sabha during a period exceeding 03 to 12 months, proper course of action had not been taken in that connection.

3.3 Identified Losses

Although there was shortage 625 books valued at Rs.40,225 in 10 Libraries belong to the Sabha; action in terms of provisions in financial regulation 104 of the Republic of Sri Lanka had not been taken in that connection.

3.4 Solid Waste Management

Following matters are observed.

- (a) While waste collected daily are being dumped into a land nearby Teldeniya Fair Ground without being sorted out whether crumble or not, so far the Sabha had not taken an attention with regard to introduction of a proper scheme of waste management.
- (b) While objections had been raised by people in the area for dumping waste in the above place, the case No. 25193 was pending in the Teldeniya Magistrate Court.

4. Accountability and Good Governance

4.1 Corporate Plan

A Corporate Plan of the Sabha had not been prepared during the year under review.

4.2 Procurements Plan

Although capital expenditure amounting to Rs.108,085,610 had been incurred by the Sabha, a Procurement Plan had not been prepared for the year under review.

4.3. Audit and Management Committees

Audit and Management Committees of the Sabha had not been established in the Sabha during the year under review and due to that, committee meetings had not been conducted.

4.4 Internal Audit

Although an Internal Audit Program of the Sabha had been prepared during the year under review, it had not been implemented.

4.5 Budgetary Control

It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 28 per cent to exceeding 100 percent in 04 items of revenue and variations from 14 per cent to 70 per cent in 08 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Solid Waste Management.