

Medawachchiya Pradeshiya Sabha

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 06 April 2015 while Financial Statements relating to the preceding year had been submitted on 06 April 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 03 August 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Medawachchiya Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Trade License Fees amounted to Rs. 1,362,406 according to the Trade License Fees Register for the year under review had been shown as Rs. 1,663,646 in the Revenue and Expenditure Account.
- (b) Provision for accrued expenditure amounting to Rs. 134,810 as at 31 December of the year under review had not been made in the financial statements.

1.3.2 Non-reconciled Control Accounts

Although the loan balance payable to the Local Loans and Development Fund as at 31 December of the year under review according to the financial statements was Rs.14,939,587, according to the letter of confirmation of the Local Loans and Development Fund it was Rs. 6,038,592. Accordingly a difference of Rs. 8,900,995 was revealed .

02. Financial Review

2.1 Financial Results

According to the Financial Statements presented, operational surplus of the Sabah for the year ended 31 December 2015 had been Rs. 4,864,377 as compared with the corresponding operational surplus amounted to Rs. 7,205,412 in the preceding year.

2.2 Revenue Administration

2.2.1 Rates

Action in terms of Section 155 of the Pradeshiya Sabha Act No. 15 of 1987 had had not been taken for the recovery of Rates in arrears amounting to Rs. 1,098,459 as at 31December 2015.

2.2.2 Stalls Rent

- (a) Necessary course of action had not been taken to recover arrears of Lease Rent amounting to Rs. 962,077 outstanding further in respect of 07 stalls given on lease.
- (b) Necessary course of action had not been taken to recover the sum of Rs. 957,862 outstanding as rent of stalls in the Public Market and Trade Complex as at 31 December 2015.
- (c) Although the parties liable for the recovery of Lease Rent in arrears amounting to Rs. 1,181,142 with regard to leasing out the annual rights to sell for the period from the year 2006 to the year under review, necessary course of action for the recovery of those amounts had not been taken.
- (d) It was observed that, the revenue lost to the Sabha due to abandon of trade by stalls holders due to lack of business in 23 stalls of the Public market during the period exceeding 10 years in the past had been Rs. 2,070,000.

2.2.3 License Fees

Necessary course of action had not been taken to recover Trade License Fees amounting to Rs. 725,790 as at 31 December 2015.

2.2.4 Stamp Fees

Necessary course of action had not been taken even during the year under review to recover Stamp Fees Revenue amounting to Rs. 3,821,500 in respect of the period from the year 2011 to the year 2014 receivable to the Sabha.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Necessary course of action had not been taken to recover Staff Loans amounting to Rs. 201,212 due from 13 employees left on transfers, deceased and vacated service during the period from the year 1995 to the year 2011.
- (b) Action had not been taken even during the year under review to recover 06 Accounts Receivable balances totaling Rs. 17,497,678 that had elapsed a period ranging from 03 to 05 years.
- (c) Action had not been taken to settle 06 Accounts Payable balances totaling Rs. 3,309,311 that had elapsed a period ranging from 03 to 07 years.
- (d) While it was revealed that an authorized person was in occupation of the Nagadaranewa Village Council Building and the land since a period of 20 years, legal steps had not been taken to eject that person.
- (e) Two vehicles valued at Rs. 1,648,500 had been engaged in running without being registered in terms of Section 2(1) of the Motor Traffic act (Chapter 203).

3.2. Asset management

Idle Assets

- (a) Six Lands and Buildings not disclosed in the financial statements remained idle during a period ranging from 02 to 20 years.
- (b) Two Vehicles valued at Rs. 1,232,000 received to the Sabha during the year 1998 remained defunct and idle for 10 years.

3.3 Project Delays

- (a) Although the financial progress of 05 Projects amounting to Rs. 2,000,000 had been shown as 100% according to progress reports as at 31 December of the year under review relating to the program for Strengthening Pradeshiya Sabha, those Projects had not been commenced even as at 09 May 2016.

- (b) Out of the 15 Development Projects for Backward and Isolated Villages, approved under Provincial Criteria Based Provisions during the year 2015, 12 Projects amounting to Rs. 2,000,000 had not been implemented during the year under review.

3.4 Solid Wastes Management

While garbage and solid wastes collected in the area of authority of the Sabha were being released to Isinbessagama Forest Reserve, hazards had been caused to cleaning employees and residents in the area from wild elephants coming to take garbage as foods. An environmental damage too was taking place due to that.

4. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting.
- (b) Revenue Administration.
- (c) Assets Management
- (d) Debtors and Creditors Control
- (e) Solid Wastes management.