

Medirigiriya Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Présentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 09 March 2016 while Financial Statements relating to the preceding year had been submitted on 01 April 2015. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 12 July 2016.

1.2 Opinion

In my opinion, except for the effect 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 the Medirigiriya Pradeshiya Sabha as at 31 December 2015, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (i) Stamp Fees Revenue relevant to November and December of the year under review totaling Rs. 174,000 had not been included in the financial statements.
- (ii) Courts Fines Revenue relevant to December of the year under review amounting to Rs. 759,464 had not been included in the financial statements.
- (iii) Value of 86 items of lands 60 items of buildings recorded in the Fixed Assets Register had not been assessed and those values had not been accounted.
- (iv) Work Debtors balance of Rs. 117,927 and Work Creditor balance equal to that value had been omitted from the accounts.

1.3.2 Accounts Receivable and Payable

- (a) While Stalls Rent, Lease Rent and Weekly Fair Lease Rent totaling Rs. 382,412 as accounts receivable had been in arrears during a long period of time, action had not been taken to recover those amounts.
- (b) Action had not been taken to recover Work Debtors balance amounting to Rs. 1,265,025 due to be recovered even up to April 2016.

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

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

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988	
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(i) Rule 67	An annual survey had not been carried out with regard to trade centers and industries.
(ii) Rules 203,214 and 218	A full survey had not been carried out with regard to the properties of the Sabha.
(b) Circular No. IAI/2002/02 dated 28 November 2002 of the Secretary to the Treasury	A Register of Fixed Assets had not been maintained for computer accessories and software.

02. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs. 7,942,753 as compared with the corresponding excess of revenue over recurrent expenditure revenue for the preceding year amounted to Rs. 5,040,603.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Following matters are observed.

- (a) Acton had not been taken since a number of years to recover Fines amounting to Rs. 14,296,553, Rates amounting to Rs. 2,594,969, Other Revenue amounting to Rs. 665,544 as and Rent amounting to Rs. 192,527 as at 31 December of the year under review.

- (b) Stalls Rent Register had not been properly maintained indicating particulars such as lease rent billed for the year, amount recovered, relevant receipt number and the name of the lessee clearly. Although the security money recovered for the stalls should be recorded separately in a Register of Security Deposits, it had been recorded in a General Deposits Register in an unidentifiable manner.
- (c) While a revenue in arrears amounting to Rs. 226,281 was being shown continuously in accounts and financial statements since the year 1994, necessary action had not been taken to recover that amount.
- (d) Although it is required to check whether owners of businesses have obtained Environment Permits when issuing Trade Licenses, Trade Licences had been issued for the year under review too, for 19 business entities not obtained Environment Permits.

03 Operating Review

3.1 Management Inefficiencies

- (a) Stalls Rent Registers had not been updated relevant to the months of November and December of the year 2015 and due to that it had not been possible to identify the amount of Stalls Rent in arrears as at 31 December 2015 even up to April 2016.
- (b) Agreements had not been entered into 05 stalls in Divulankadawala Weekly Fair, a stall in Diyasenpura and 02 stalls in Medirigiriya belong to the Sabha given on lease.
- (c) While vehicles and machinery and equipment of the Sabha had been obtained on hire basis by the Members of the Sabha during the year 2014, a sum of Rs. 454,480 due for that had not been recovered.
- (d) While 613 books valued at Rs. 114,320 and 19 books of which value could not be identified in three libraries belong to the Sabha had been misplaced, an enquiry had not been conducted in that connection.

3.2 Operating Inefficiencies

In examination of appeal letters sent by the General Public, it was revealed that water supply to rates paying public, road maintenance, proper garbage collection procedure, maintenance of street lamps, provision of child parks and pre-school facilities, provision of public latrine facilities and library facilities are not made satisfactorily. Necessary steps had not been taken to prepare an action plan and act accordingly to complete those facilities.

3.2 Project Delays

While granting provisions for implementation of Provincial Council Projects had been made during the period from 23 November to January 2015, 11 Projects relevant to Rs. 1,660,000 had not been implemented even up to 14 January 2016, due to reasons such as delay in receiving provisions, non-identification of beneficiaries, inadequacy of estimates, non-fixing dates to award benefits. In examination of files, it was revealed that, out of the above Projects, Projects of private nature amounting to Rs. 550,000 too had been approved.

04 Good Governance and Accountability

4.1 Action Plan

An Action Plan including activities aiming at achievement of objectives mentioned in the Pradeshiya Sabha Act with a long term vision in terms of paragraph 04 of the Public Finance Circular No. 01/2014 dated 17 February 2014 had not been prepared for the year under review.

4.2 Internal Audit

Although an Internal Audit Officer had been appointed to the Sabha in terms of Circular No. 04/2015 dated 18 March 2015 of the Central Province Commissioner of Local Government, an adequate internal audit had not taken place in the Sabha relevant to the year under review.

4.3 Implementation of Audit and management Committees

Audit and management Committee had not been implemented during the year under review and past years as well.

4.4 Assets Management

Idle and Under-utilized Assets

It was observed that 22 items of the Rice Flour Processing Center Equipment, Body Building Equipment Set not included in the Inventory Register, 24 items of Office Furniture and Equipment relevant to Inter Villages Program and a stock of 3,500 Interlock Concrete Stones are kept idle in the Sabha premises.

05. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Debtors and Creditors Control
- (e) Assets Management