

**Minipe Pradeshiya Sabha
Kandy District**

01 Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 31 March 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 Minipe Pradeshiya Sabha as at 31 December 2016 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 Reconciled Control Accounts

Although the total of balances of 4 items of accounts according to the financial statements was amounted to Rs.42,828,296, a mismatch of Rs.219,644 had been revealed hence those total of balances was amounted to Rs.42,625,522 according to the subsidiary documents.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

While the total of 05 balances of accounts receivable as at 31 December of the year under review amounted to Rs. 15,683,659, a balance that had elapsed more than 01 year amounting to Rs.5, 930,209 had been included therein.

(b) Accounts Payable

While the total balance of 05 accounts payable as at 31 December of the year under review amounted to Rs.27,317,916, a balance that had elapsed more than 01 year, amounting to Rs.9,387,496 had been included therein.

1.3.3 Lack of Documentary Evidence for the Audit

Transaction totalling Rs. 54,232,732 could not be satisfactorily vouched in Audit due to non-submission of required information to the audit.

1.3.4 Non Compliance with Laws, Rules, Regulations etc.

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

Reference to the laws,rules and regulations	Non compliance
(a) Section 18 of Pradeshiya Sabha act no. 15 of 1987	Actions had not been taken to clear ownership of the 54 items of cemeteries, lands, buildings and community halls.
(b) Policies frame mentioned on board of ministers' memorandum no NP/RTC/TR/LM/12/07 for recognizing the programme for regulate the three wheelers of September 2012	Although a methodology should be followed for issue the license after preparing the three wheelers' park, those instructions had not been followed.
(c) Section 12 of circular no.2016/03 Commissioner of Local Government dated on 17 March 2016	Actions had not been taken for renew the agreements of stalls by making assessment once in 05 years.

2. Financial Review

2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditures of the Sabha for the year ended 31 December 2016 amounted toRs.7,202,234, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.3,064,413. When compared with the preceding year, an increase of Rs.4,137,821 was observed in the financial results for the year under review.

2.2 Analytical Financial Review

The increase of Rs.441,894 of business taxes, the government recurrent allowance of Rs.2,553,154 the increase of Rs.494,998 of rent income and the increase of Rs.845,059 of charges for the services had been basically influenced for the increase of Rs.4,137,821 of financial results.

2.3 Working Capital Management

The ratio between total current assets and total current liabilities was 1.5:1 and 1.2:1 in the year under review and the preceding year respectively.

2.4 Revenue Administration

2.4.1 Rates

While the balance of arrears rates was amounted to Rs.461,669 as at 01 January year under review, only the sum of Rs.205,788 had been recovered thereof. This was a percentage of 44 percent from the total arrears amount.

2.4.2 Lease Rent

- (a) While the balance of arrears was amounted Rs.2,356,014 as at 01 January year under review, the billed amount was Rs.1,088,558 in the year 2016. only the sum of Rs.222,136 and Rs.401,840 had been recovered thereof respectively.
- (b) Actions had not been taken to recover a receivable amount of Rs.103, 503 that had remained receivable from the buildings that had rent out for follow on court office in the city of Hasalaka.

2.4.3 Other Income

- (a) It had been recovered an amount of Rs. 1,223,065 only from the arrears water charges balance of Rs.2,193,884 that had receivable as at the beginning of the year under review. It was 55 percent from the total arrears. While the arrears water charge as at 31 December of the year under review was amounting to Rs.1, 792,587, the amount of Rs.970, 279 that had elapsed one year was included therein.
- (b) Actions had not been taken also within the year under review, to recover the entertainment tax amount of Rs. 99,529 that remained 31 of January of the year under review.

2.4.4 Court Fines and Stamp Fee

An amount of Rs. 1,287,200 had remained receivable for the court fines and stamp fees as at 31 December of the year under review.

3 Operating Review

3.1 Performance Evaluations

Following matters are observed.

- (a) Although it had the availability of unused buildings of the Hasalaka weekly fair it had been constructed a building about 300 square feet in the year under review by expending an amount of Rs. 600,000. While the vegetable salesmen were doing their sales activities in the temporary huts at both sides of the road in the retail market, the attention of the Sabha had not been given for construct any building for the vegetable salesmen.

- (b) Although increase of the common utility services of the peoples who living the area of authority of the Sabha is main function of the Sabha the special attention of the Sabha had not been given for cleaning the cannel system and maintain the city clean.
- (c) Although the Sabha should deploy more than 30 percent from auto proceedrevenue on development activity it had been deployed 15 percent only from the recurrent revenue amount of Rs.12, 101,605 that had earned in the year under review.

3.2 Management Inefficiencies

Following matters are observed.

- (a) While there was 14 vacancies in 4 designations and actions had not been taken to any recruitment.
- (b) It had to beprosecuted relating the stall rental amount of Rs. 2,810,646 that had not paid continuously by the rent holders of 20 stalls in the Hasalaka city.
- (c) An amount of Rs.160,682 that had received for the programme of Strengthening of the Pradeshiya Sabha in the year 2014 had been retained on the general deposit account until the last day of the year under review.
- (d) An amount of Rs.115,000 that had received for the wining of the Local Government week in the year 2013 and for the Central province new awarding ceremony in 2014 had been retained on general deposit account without utilizing.

3.3 Operational Inefficiencies

Following matters are observed.

- (a) 33 water meters worth of Rs.75,900 that had purchased in the year 2012 had been kept in stores without utilizing.
- (b) Although it had supplied the water for 86 consumers of business entities and 1213 consumers of households the water meters had fixed only for 36 business entities and 891 households.

3.4 Idle/Underutilized Assets

TheTafe tractor and the Mahindra lorry were idle from 03 years without utilizing.

3.5 Identified Losses

Although an engineer estimate of Rs.24,709 had given for remove foundation that had fixed on the land that owned to the Sabha by a private individual, the amount had not been paid. while it had gave a decision as pay an amount of Rs.500,000 in the year 2005 to the complainant from the case that had assigned by aggrieved party by did the defendant as the former president and the Pradeshiya Sabha at the Kandy district court, hence the non payment of the money by the Pradeshiya Sabha, the Mitsubishi cab that had owned to the Sabha and the stall no.14 at the city of Hasalaka had been taken under the court.The cab that had prohibited using by court had been wasted by facing natural disasters at the Sabha land.

3.6 Contracts Administration

(a) Construction of the fence around the Palugolla water tank

An amount of Rs. 211,748 had been paid for the industry of construction of the fence around the Palugolla water tank under the programme of community's water programme of Central province Chief Ministry in the year 2016. Following matters are revealed in this regard.

- (i) Although an amount of Rs.104,499 had paid for 76.50 meters of wires for make the fence with 6 threads by planting 6 feet high wire poles made from using cement concrete mix of 1:2:4 (19) from 8 to 8 feet according to the work heading no.01, the fence had been made by using weak wire poles. Although the bottom thickness of the wire poles should be 6'6' and the thickness of the head of wire poles should be 4'4', hence the bottom was 5:4 inches and the head was 4 inches of this, the fence had not been made in accordance with the estimated standard.
- (ii) Although an amount of Rs.17, 800 had paid for fix the wire poles by using wires which with the long of 525 mm and size of 12 mm by throwing the stone to deep of 225 mm for planting gate towers and fence posts according to work heading no 10, it had able to remove wire poles easily because non fixing of the wire poles in accordance with the instructions.

(b) Construction of the Children's Park in front of the Library

An amount of Rs.499, 745 had been expended for the project of making concrete fence and rocking the compound of the Hasalaka library, that unable to carry out according to the circular no.1/2016 relating to strengthening the Pradeshiya Sabha of the Secretary of Provincial Council and Local Government Ministry dated on 29 February 2016.

4 Accountability and Good Governance

4.1 Budgetary Controls

Even after amendments of the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure as per particulars given below. Accordingly it was observed that, the budget had not been made use of as an effective tool of management. Following matters are observed in this regard.

- (a) Any amount had not been expended from the allowance amount of Rs.3,555,000 that had allocated for the 11 votes.
- (b) Any amount had not been earned from the estimated revenue amount of Rs.395,000 that had estimated for the 07 items of revenue.

4.2 Annual Procurement Plan

It had not been prepared a Procurement Plan for the year under review.

4.3 Internal Audit

An adequate internal audit had not been taken place of the Sabha in the year under review.

4.4 Audit and Management Committees

It had not been held Audit and Management Committees in the year under review.

05 Systems and Controls

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

- (a) Fixed Assets
- (b) Accounting
- (c) Vehicle Control
- (d) Revenue Control
- (e) Creditors and Debtors
- (f) Contract Administration