

Medawachchiya Pradeshiya Sabha
Anuradhapura district

01 . Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Auditor General's Report relating to those financial statements had been sent to the Chairman on 21 Sepyember 2018.

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 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments of Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (A) Revenue of Rates amounting to Rs. 42,562 recived in the preceding year in respect of the year under review had not been brought to account as revenue of the year under review and therefore, the surplus had been understated by that amount.
- (b) As a sum of Rs. 2,334,658 receivable from the Local Government Department for the renovation of 17 roads had not been brought to account as Industrial Debtors, debtors and capital revenue had been understated by that amount.
- (c) As libraray books worth Rs.49,310 purchased during the year under review had not been brought to account, fixed assets had been understated by that amount.
- (d) A sum of Rs. 987,092 receivable and payable in respect of carrying out development projects as at 31 December of the year under review had been omitted from accounts.
- (e) As cash in hands amounting to Rs.30,000 of 10 per cent of 03 projects implemented under the religious places and dhammaschool development programme had been recognized as the debtors, the debtors of the year under review had been overstated by that amount.

- (F) As the money payable and receivable for 04 projects worth Rs. 1,960,708 which had been completed during the year under review and made payments in the year 2018 under the Provincial Council Capital Grants had not been brought to account, debtors and creditors had been understated by that amount.
- (g) Cash in hand totalling Rs. 180,267 relating to 15 projects implemented under the Provincial Council decentralized funds had not been brought to account as the creditors and as such, creditors had been understated by that amount.
- (h) Tender deposits of Rs. 798,000 relating to leasing out of trade stalls of the New Shopping Complex had not been shown under the current liabilities.
- (i) Constructions worth Rs. 7,621,808 carried out under the Pradeshiya Sabha Strengthening Project had not been capitalized.

1.3.2 Unreconciled Accounts

A difference of Rs. 10,921,223 was observed between the amounts indicated in the documents furnished along with the financial statements as at 31 December of the year under review relating to 05 items of accounts and the amounts indicated in the financial statements.

1.3.3 Accounts Receivable and Payable

Accounts Receivable

Although 08 receivable account balances totalling Rs. 18,672,035 had continued to exist over a number of years, action had not been taken to recover those balances even in the year under review.

Accounts Payable

Action had not been taken to settle 08 payable account balances totalling Rs. 1,585,762 continued to exist since the period before 2009 and up to the year 2017.

1.3.4 Lack of Documentary Evidence

Since necessary information had not been furnished, 16 items of accounts totalling Rs. 85,568,402 could not be satisfactorily vouched.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are given below.

Reference to Laws, Rules, Regulations and
Management Decisions

Non-compliance

- | ----- | ----- |
|---|--|
| (a) Section 177 of the Pradeshiya Sabha Act No.15 of 1987. | A gratuity scheme for the payment of gratuity for the temporary and casual employees of the Sabha had not been established. |
| (b) Treasury Circular No.IAI/2002/02 dated 28 November 2002. | A Register of Fixed Assets had not been maintained relating to computer, accessories and software owned by the Sabha. |
| (c) Circula No. NCP/LG/4/7/19 dated 04 August 1994 of the Commissioner of Local Government. | Even though rent of the trade stalls should be determined based on an assessment given by a Chief Assessor, the Sabha had not assessed the rent of trade stalls over 22 years. |

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 2017 amounted to Rs. 8,136,497 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 8,585,846.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue, and Revenue in Arrears

Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below.

| Source of Revenue | Opening Balance as at | Revenue Billed for | Revenue Collected for 2017 | | Revenue in Arrears as at |
|-------------------|-----------------------|--------------------|----------------------------|-----------------|--------------------------|
| | 01 January 2017 | 2017 | Arrears as at | From the Amount | 31 December 2017 |
| | Value | Value | 01.01.2017 | Billed for 2017 | Value |
| | | | Value | Value | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| | ₺. | ₺. | ₺. | ₺. | ₺. |
| Rates | 1,064,057 | 859,559 | 169,018 | 592,167 | 1,162,431 |
| Trade Stalls Rent | 106,050 | 854,400 | 48,300 | 746,000 | 166,150 |
| Business Licences | 505,700 | 1,450,000 | - | 2,234,630 | 505,700 |
| Lease Rents | 1,120,994 | 5,772,700 | - | 5,772,700 | 1,120,994 |
| | ----- | ----- | ----- | ----- | ----- |
| Total | 2,796,801 | 8,936,659 | 217,318 | 9,345,497 | 2,955,275 |
| | ===== | ===== | ===== | ===== | ===== |

2.2.2 Performance of the Collection of Revenue

Following matters were observed.

(a) Rates and Taxes

Action in terms of Section 158 of the Provincial Council Act No.15 of 1987 had not been taken to recover the rates in arrears amounting to Rs. 1,115,096 existed as at 31 December 2017.

(b) Trade Licences

Out of the Trade Licence charges in arrears amounting to Rs. 505,700 as at 31 December 2017, a sum of Rs. 489,700 had continued to exist from the year 2008. Nevertheless, necessary steps had not been taken to recover those balances.

(d) Stamp Fees

The outstanding Stamp Fees receivable for the year under review amounted to Rs. 1,910,961 as at 15 March 2018.

(d) Court Fines

The outstanding court fines receivable for the year under review amounted to Rs. 2,454,590 as at 15 March 2018.

3. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a) By-laws

Even though By-laws should have been imposed under the Local Government Authorities By-laws Act, No.06 of 1952 and the Gazette No.1072 dated 19 March 1999 for the execution of 28 key functions under Section 126 of the Pradeshiya Sabha Act, functions indicated in the By-laws had not been practically implemented.

(b) Action Plan

An Action Plan relating to the activities to be implemented by the Sabha during the year under review had not been prepared.

(c) Environmental Issues

Although the Sabha had implemented the wastes recycling programme, following deficiencies were observed in that respect.

- i As programmes for raising awareness of the people on the collection and segregation of garbage had not been conducted, garbage so collected had been dumped at the public places without being segregated.
- ii It was observed that undegradable wastes such as plastic, glass and polythene had been disposed of to the Issinbessagala forest reserve without being recycled.

(d) Sustainable Development Goals

The Sabha had not been aware of the Agenda 2030 on the Sustainable Development Goals adopted by the United Nations Organization during the year under review and attention on the Goal 09 had not been drawn in the preparation of development plans for the year 2018.

3.2 Management Inefficiencies

Procedural rules for the control of Sabha Fund and the properties had not been made as required by Section 171 of the Pradeshiya Sabha Act.

3.3 Human Resource Management

Employees loan amounting to Rs.194,593 due from 12 employees who had transferred, retired and deceased during the period from 1995 to 2011 had not been recovered even by 31 December 2017.

4. Accountability and Good Governance
-----4.1 Budgetary Control

Since the budget had not been prepared after making proper forecasting in terms of Section 168 of the Pradeshiya Sabha Act, variations ranging from 09 per cent to 330 per cent could be observed when comparing the budgeted revenue and expenditure with the actual revenue and expenditure.

4.2 Internal Audit

An Internal Auditor had not been appointed as required by Section 06 of the Circular No.04/2015 dated 18 March 2015 of the Commissioner of Local Government of the North Central Province.

4.3 Audit and Management Committees

Audit and Management Committees had not been established in terms of the Circular No. DMA/2009(1) dated 09 June 2009 issued by the Management Audit Department.

5. Systems and Controls

Deficiencies observed during the audit test check were brought to the notice of the Sabha from time to time. Special attention is needed in the following areas of systems and controls.

| | System | Deficiency |
|------|------------------|---|
| | ----- | ----- |
| (a). | Accounting | Account books had not been maintained in an updated manner. |
| (b) | Fixed Assets | <ul style="list-style-type: none"> i. Fixed assets had not been properly accounted. ii. Survey had not been conducted. iii. Safety of the assets had not been assured. |
| (c). | Internal Control | Failure to implement the internal audit and Audit and Management Committees. |