

Minipe Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to the audit on 29 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 11 July 2018.

1.2 Qualified 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 Minipe 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 on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a) Furniture and office equipment of Rs.1,358,902 donated to Minipe Pradeshiya Sabha office from Puranagama Project had not been accounted.
- (b) A sum of Rs.2,707,164 spent in the year under review for the development of land and buildings had not been capitalized.
- (c) Fixed deposit account balance of Rs.383,870.30 maintained by the name of the Commissioner of Local Government for the construction of office building under Puranagama Project had not been accounted.
- (d) Actions had not been taken to capitalized the amount of Rs.2,114,719 spent for the development of 2 water schemes belonging to Sabha.
- (e) Trade creditors had been understated by Rs.216,000.
- (f) Trade debtors had been overstated by Rs.246,788.

1.3.2 Contingent Liabilities

Twenty cases filed by the Sabha against 20 shop owners due to nonpayment of shop rents and trail case with relating to a Cab had not been disclosed in accounts.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The value of 7 accounts receivable balances as at 31 December of the year under review was aggregating Rs. 22,533,012. According to the age analysis in this regard, account balances over one year was aggregating Rs. 9,418,983.

(b) Accounts Payable

The value of 3 accounts payable balances as at 31 December of the year under review was aggregating Rs. 19,733,474. According to the age analysis in this regard, balances over one year was aggregating Rs. 4,619,945.

1.3.4 Lack of Documentary Evidence for Audit

Four accounts items aggregating Rs. 77,260,873 could not be satisfactorily verified in audit due to non-presenting relevant information.

1.3.5 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decision

Following instances of non-compliance with laws, rules, regulations and management decision were observed.

	Reference to laws, rules, regulations and management decision	Amount	Non-compliance
	-----	-----	-----
		Rs.	
(a)	Financial Regulations 571 of Democratic Socialist Republic of Sri Lanka	351,181	Actions had not been taken to settle or to credit into Government revenue with relating to time lapsed 7 deposits.
(b)	Circular No. 2016/03 dated on 17 March 2016 of the Commissioner of Local Government of Central Province		
	(i) Paragraph 10		Though shops should not be subleased, shops had been subleased to 18 persons by the leaseholders.

(ii) Paragraph 12

Though the agreed leaseholder has no right to change the structure of shops, the structure of 5 shops had been changed.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.4,541,312 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 7,202,234.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information relating to estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Revenue Source	Estimated Revenue	2017			2016			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs	Rs	Rs	Rs	Rs	Rs
Rates and Tax	553,942	592,883	484,918	441,988	583,942	543,881	460,005	341,174
Rent	3,238,461	3,881,436	3,371,479	3,586,969	3,680,180	3,354,321	2,949,505	3,017,036
License Fees	2,068,000	1,989,272	1,989,272	-	1,843,000	2,619,236	2,619,236	-
Other Revenue	6,271,500	7,472,665	8,087,450	3,987,281	4,947,000	7,885,240	8,636,397	5,280,601
	<u>12,131,903</u>	<u>13,936,256</u>	<u>13,933,119</u>	<u>8,016,238</u>	<u>11,054,122</u>	<u>14,391,734</u>	<u>14,881,274</u>	<u>8,724,561</u>

2.2.2 Performance in Revenue Collection

- Actions had not been taken to clear the ownership of shops belonging to Sabha and recover shop rents.
- Actions had not been taken to recover garbage tax from private institutions, hotels and shops in the area of the authority of Sabha.

2.2.3 Rates and Tax

Following matters were observed.

- (a) Though arrears rates balance of Rs. 341,174 was remained as at the beginning of the year under review, out of them a sum of Rs. 32,027 had only been recovered during the year.
- (b) Rates balance of Rs.31,684 as at 31 December 2017 recoverable from Government Institutions in the area of the authority of Sabha had not been recovered.

2.2.4 Rent

Following matters were observed.

- (a) Arrears balance as at the beginning of the year under review was Rs.3,380,147 and the billing for the year was Rs.1,230,866. Out of them, only a sum of Rs.104,170 from the arrears and a sum of Rs.557,772 from the billing had been recovered during the year.
- (b) Though a sum of Rs. 103,500 receivable from the building given to operate Court Complex in Hasalaka City had been lapsed 20 years, actions had not been taken to recover.

2.2.5 Other Revenue

- (a) Water Charges

Water charges in arrears balance as at the beginning of the year under review was Rs. 1,792,586 and the billing for the year was Rs. 3,116,020. Out of them, only a sum of Rs. 690,423 from the arrears and a sum of Rs. 2,341,282 from the billing had been recovered during the year. Total arrears as at the end of the year under review were Rs. 1,883,222.

- (b) Advertising Boards Charges

A fees of Rs. 33,750 recoverable from displaying advertising boards and fees for boards displayed in many Institutions in the area of the authority of the Sabha had not been charged.

2.2.6 Court Fines and Stamp Fees

Court Fines amounting to Rs.770,958 and Stamp Fees amounting to Rs.1,321,650 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

3. Operating Review

3.1 Performance

Matters revealed with regarding the activities such as streamlining and controlling matters relating to public health, common utility services and public roads; feather bedding, convenience and welfare which should be admired by the Sabha under Section 3 of Pradeshiya Sabha Act were shown below.

(a) Non Performed Activities

Though improving the health and common utilities of the area of the authority of Sabha was a main objective, the attention of the Sabha had not given to clean the drain system and to keep the city clean.

(b) Failure in Achieving Output Targets

Though 2 water schemes of the Sabha had been repaired by spending Rs.2,114,719 water had been provided only for 21 new customers.

(c) Failure in Achieving Expected Outcome

Though the expected out-put had been achieved by spending a sum of Rs.15,163,083 to implement 02 activities in the action plan, the expected outcome had not been achieved. Details were shown below.

Activities	Amount spent up to 31 December 2017	Observations
-----	-----	-----
	Rs	
Multipurpose Building	14,463,083	Though the proposals had been given to establish Public Library, IT Center, Medical Center, Maternity and Ayurveda Center, and community hall etc. in the multipurpose building constructed under Puranaguma Project; those had not been established. Ground floor and the second floor of this building had been kept idle without using for any activity.

Week fair at Hasalaka Kolongoda	700,000	It was unable to utilize due to constructing the building in the corner of the whole sale premises without considering the requirement of the sellers. Further, the public toilets constructed alone with the week fair had not been utilized.
------------------------------------	---------	--

15,163,080
=====

(d) Non Implemented Activities

Though allocation of Rs.160,000 had been made to implement 5 activities in the year under review, nothing had been implemented.

(e) Solid Waste Management

Compost had been produced in crumbled waste lot system from one metric ton of collected garbage in the area of the authority of Sabha daily by sending it to Hasalaka compost yard; and non-crumbled waste had been burnt and dumped beside the premises with adverse impact to the environment. Though, compost had been produced, huge amount of compost had been collected due to non-implementing of proper system to sale. Though a building had been constructed in the project premises for waste management, damaged items and a vehicle of the Sabha had been kept in that building. Garbage collected in week fair at Kolongoda had been dumped beside the fair premises by damaging the environment.

(f) Environmental Issues

No actions had been taken for non-crumbled waste and open air burning had been done in associated with the waste project. The environment had been polluting due to non-availability of a Burner.

(g) Sustainable Development Goals

Actions had not been taken by the Sabha to identify sustainable development objectives and targets and to achieve them as well as to identify indexes to measure the progress.

3.2 Management Inefficiencies

Following matters were observed.

- (a) Opportunity has been given to construct the upper floor shops of shopping complex belonging to Sabha for Lessees of the lower floor without constructing them by the

Sabha and actions had been taken not to follow tender procedure as well as to recover the cash at once.

- (b) The entire water consumers of the Sabha was 1360 out of them only 433 had been used water meters and a fixed charge of Rs. 200 had been charged from the balance 927.
- (c) A sum of Rs. 1,315,810 given to Sabha for Pradeshiya Sabha strengthen program in the year 2015 had been kept in general deposit account without implementing the expected benefits.
- (d) Though it was lapsed 04 months for the purchase of 460 books made by the Sabha in October 2017 amounting to Rs. 131,110, those books had not been given for the use of readers.

3.3 Human Resources Management

Staff Vacancies and Excess

Eighteen vacancies in 6 posts and 02 excess in one post were available between approved and actual cadre.

3.4 Operational Inefficiencies

Following matters were observed.

- (a) The land in Hasalaka which constructed 20 shops, had not been acquired and a sum of Rs. 3,378,227 should have to be recovered from 32 shops as at 31 December 2016 due to improper recoveries of receivables rents from shops.
- (b) Four shops given on lease had been utilized for resident purpose without using them for business activities in terms of the agreement.

3.5 Assets Management

3.5.1 Non Confirming the Safety Precautions of Assets

Old Court Complex building was insecure due to non-securing by constructing a boundary fence in that land.

3.5.2 Non Collecting of Revenue Receivable from Assets

Five shops in new shopping complex at Morayaya had been closed and shop rent arrears of Rs.5,880 from 4 shops were remained as at 31 December 2017.

3.5.3 Non Acquired Assets

Actions had not been taken to acquire public toilet in week fair premises at Udawella, constructed by spending a sum of Rs. 529,764 in the year under review, to the Sabha.

3.5.4 Idle / Under-utilized Assets

The Cab given by Central provincial Council with the value of Rs.1,500,000 had been suspended by Execution Order and the vehicle was remained in Sabha premises by decaying.

3.5.5 Annual Board of Survey

A shortage of 132 books valued at Rs. 20,245 in 4 libraries were remain as per the board of survey report of the year 2017.

3.6 Procurement

3.6.1 Procurement Plan

Though procurement plan had been prepared for the year under review, purchases had not been done according to the plan. Purchases which were not included in the procurement plan had also been done during the year.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed that the budget had not been made use of as an effective tool of management as there is a significant variation between budgeted and actual income and expenditure even after transferring provisions in income and expenditure items during the year under review. Following matters were revealed in this regard.

- (a) No any expenditure had been made from an allocation of Rs.2,896,000 provided for 31 expenditure items.
- (b) No any amount had been recovered from the estimated revenue of Rs.3,082,000 in 10 revenue items.

4.2 Internal Audit

According to the Rule No.5 (7) of 1988 Regulations (Financial and Administration), though an internal audit division had been established; resources for internal audit had been restricted due to assigning normal office works such as voucher examine, preparing time reports other than the internal audit.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time and special attention is needed in respect of the following areas of control.

System	Deficiencies
-----	-----
(a) Fixed Assets	<ul style="list-style-type: none"> (i) Non-conducting survey on land and building. (ii) Failure to utilize some fixed assets in useful activity.
(b) Accounting	<ul style="list-style-type: none"> (i) Non-capitalizing the constructions. (ii) Remaining of several accounts balances without settling. (iii) Understating the creditor and debtor balances.
(c) Vehicle Control	<ul style="list-style-type: none"> (i) Failure in maintaining the log books and daily running charts.
(d) Revenue Collection	<ul style="list-style-type: none"> (i) Non-implementing the valuations of shops at shopping complexes. (ii) Failure to assess the rates timely. (iii) Non-conducting a survey on business institutes at the beginning of the year. (iv) Failure in recovering arrears income. (v) Conducting business activities without the environment license.
(e) Debtors and Creditors	<ul style="list-style-type: none"> (i) Failure in taking actions to recover debtor balances. (ii) Failure in taking actions to recover trade creditor balances.
(f) Contract Administration	<ul style="list-style-type: none"> (i) Failure in following tender procedure for constructions. (ii) Remaining the development projects given to community base organizations in poor level.