

Medagama Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 22 March 2018. The report of the Auditor General on the said financial statements had been sent to the Chairman on 26 June 2018.

1.2 Qualified 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 Medagama 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

The following accounting deficiencies were observed in audit.

- (a.) Action had not been taken to assess and account the value of 39 plots of land being enjoyed by the Sabha.
- (b.) A sum of Rs. 1,392,781 paid for the modification of Community Hall in Dahamgama under the Program for strengthening of Pradeshiya Sabha, had not been capitalized.
- (c.) A sum of Rs. 67,500 paid for fixing a rain cover of a tractor belonging to the Sabha, had not been capitalized.
- (d.) A sum of Rs. 27,950 recoverable by the end of the year in view of displaying hoardings, had not been brought to accounts.
- (e.) The balance of savings account amounting to Rs. 745,527 that should have been shown under cash and cash equivalents in the statement of financial position, had been shown under investments.
- (f.) A sum of Rs. 1,749,790 payable within the ensuing year of accounts from the loan balance of Rs. 1,992,417 payable to the Local Loan Development Fund, had not been shown under current liabilities.

1.3.2 Lack of Documentary Evidence for Audit

As the required information had not been made available, 02 Items of Assets valued at Rs. 169,387,720 could not be satisfactorily verified in audit.

1.3.3 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The instances on non-compliances with Laws, Rules, Regulations, and Management Decisions are given below.

Reference to Laws, Rules, Regulations, and Management Decisions	Value	Non-compliance
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	Rs.	
(a.) Sections 158, 161, 162, 163, and 166 of the Pradeshiya Sabhas Act No. 15 of 1987.	133,278	Action had not been taken on Rates in arrears.
(b.) Pradeshiya Sabha (Financial and Administrative) Rules of 1988.		
(i) Rule, No. 193	-	Explanations on the saving and excess under each Item of Revenue and Expenditure, had not been furnished to the Auditor General .
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(ii) Rule 214		Items of stores had not been verified by a Board of Survey at the end of each year in terms of provisions of the Rule, No. 203.
(c.) Circular, No. 22 of the Commissioner of Local Governments, dated 17 May 1988.	-	The Sabha had recovered Rates in the year under review based on the assessment for the year 2005, and action had not been taken to assess Rates once per 05 years.

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 of the year under review amounted to Rs. 11,458,867 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 10,191,382.

2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, relating to the year under review and the preceding year, is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	892,538	1,126,073	1,059,156	141,826	745,538	908,149	846,469	167,486
(ii) Rents	14,109,301	15,149,541	14,992,056	158,084	14,974,963	14,200,432	14,122,732	78,300
(iii) License Fees	552,400	573,670	573,670	-	512,600	457,918	457,918	-
(iv) Other Revenue	7,788,550	11,881,795	8,184,511	3,697,284	6,605,100	9,971,586	8,173,880	1,797,707
Total	23,342,789	28,731,079	24,809,393	3,997,194	22,838,201	25,538,085	23,600,999	2,043,493

2.2.2 Performance in Collecting Revenue

Of the total revenue billed in the year under review amounting to Rs. 28.7 million, only a sum of Rs. 24.8 million had been collected by the end of the year under review.

2.2.3 Rates and Taxes

The value of the Rates in arrears relating to the preceding years amounted to Rs. 141,540. Of the said taxes in arrears, a sum of Rs. 53,166 had been recovered by 31 December of the year under review, thus indicating the recovery of taxes as low as 38 per cent.

2.2.4 Rents

A number of 142 trade stalls that had been given on long-term lease, had been assessed in the year 2013, but rents had not been recovered based on that assessment; instead, the rents had been recovered by adding 40 per cent to the previous rent. Despite a lapse of 5 years since the said assessment, rents had not been recovered based on that, and hence, an income of Rs. 7,298,473 had been deprived of.

2.2.5 Fees on Hoardings

Fees totalling Rs. 27,950 had not been recovered relating to 11 hoardings erected in the area of authority of the Sabha.

2.2.6 Court Fines and Stamp Fees

Sums of Rs. 1,726,834 and Rs. 1,869,200 had remained receivable as at 31 December 2017 from the Chief Secretary and other officers as court fines and stamp fees respectively.

03. 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 Sabhas Act, are as follows.

(a.) By-laws

By-laws should have been made under Section 126 of the Pradeshiya Sabhas Act to carry out 30 main activities. Nevertheless, no by-laws had been made even up to 31 December 2017.

(b.) Action Plan

An annual Action Plan had not been prepared for the activities that should have been carried out by the Sabha.

(c.) Delays in Carrying Out Activities

(i) Construction of Crematorium

The construction of crematorium with an estimated value of Rs. 21,626,232 should have been completed by 30 January 2015, but action had not been taken even up to the end of the year under review to complete constructions thereby making use of the crematorium.

(ii) Construction of Conference Hall in Medagama

The construction of Conference Hall in Medagama with an estimated value of Rs. 28,477,004 should have been completed by 14 January 2015. However, the constructions had not been completed even by the end of the year under review.

(d.) Solid Waste Management

Although action had been taken to comply with the by-law of Uva Provincial Council published in the Gazette, No. 1816/43 of the Democratic Socialist Republic of Sri Lanka, dated 28 June 2013, expenditure on waste management had not been settled by imposing garbage tax in terms of Section 2 of Part 13 of the said by-law.

(e.) Sustainable Development Goals

As the Sabha had not been aware of the 2030 Agenda for Sustainable Development adopted by the United Nations, the long-term plans to uplift the living standard and health of the people in the area of authority of the Sabha through the Global indicators relating to those goals, had not been formulated even up to 25 May 2018.

3.2 Management Inefficiencies -----

(a.) Action had not been taken to lease out shop No. 13 in the shopping complex building belonging to the Sabha.

(b.) Due to failure in issuing certificates of conformity for 39 building plans approved by the Sabha in the years 2015 and 2016, an income of Rs. 21,250 had been deprived of.

(c.) Approval of the Planning Committee had not been obtained on 22 constructions in the area of authority of the Sabha in accordance with Gazette Extraordinary, No. 392/9, dated 10 March 1986, and the Circular, No. 08/1/38 of the Director

General of Urban Development Authority, dated 20 March 1985. Action had not been taken either to grant covering approval by charging the relevant fees, or take legal or any other action.

3.3 Identified Losses

Necessary action had not been taken even up to the end of the year under review on the shortage of 96 corrugated sheets of 28 gauge identified in the annual Board of Survey as at 31 December 2015.

3.4 Procurement

3.4.1 Procurement Plan

The Sabha had not prepared a Procurement Plan for the year under review.

04. Accountability and Good Governance

4.1 Budgetary Control

As significant variances were observed between the budgeted revenue and expenditure, and the actuals of the Pradeshiya Sabha relating to the year under review, the budget had not been made use of as an effective instrument of management control.

4.2 Audit and Management Committees

The Sabha had not taken action to adequately conduct meetings of the Audit and Management Committee for the year under review.

05. Systems and Controls

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

	System -----	Deficiency -----
(a.)	Accounting	Failure to account the assets.
(b.)	Human Resource Management	Failure to obtain approval on the staff.
(c.)	Contract Administration	Lack of supervision.