

Medawachchiya Pradeshiya Sabha  
Anuradhapura District  
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1. Financial Statements  
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1.1 Presentation of Financial Statements  
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The financial statements for the year 2019 had been presented to the Audit on 13 May 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 21 August 2020 and 10 September 2020 respectively.

1.2 Adverse Opinion  
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In my opinion, because of the significance of the matters described in paragraph “Adverse Opinion” of this report, the financial statements do not give a true and fair view of the financial position of the Medawachchiya Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Adverse Opinion  
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(a) Accounting Deficiencies  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Capital receipts and expenditure of Rs. 17,546,351 received from other Ministries and Departments for 10 projects during the year under review had not been stated in the financial statements.	All transactions relating to the year under review should be correctly accounted for in the financial statements.	Agree.
(ii) The Pura Neguma stall deposit received by the Sabha amounting to Rs. 6,803,877 had not been accounted for as liabilities and only the bank account in which the money was deposited had been stated in the financial statements as an asset.	It should be correctly brought to account .	Agree.

(iii) The debtors and creditors values of 13 contracted projects under the provisions of the Department of Local Government and Ministry amounting to Rs. 7,403,230 had not been stated in the financial statements as at 31 December of the year under review.	All transactions for the year should be properly accounted for in the financial statements.	Since the industry of strengthening the Pradeshiya Sabhas has not been brought to account, action will be taken to account for those balances.
(iv) The revenue of Rs. 8,253,000 of 46 stalls in the new Medawachchiya shopping complex relating to the year under review and the arrears of Rs. 10,997,000 due for 2017 and 2018 had not been stated in the financial statements.	It should be correctly brought to account.	It will be correctly account for in keeping opening accounts for the year 2020.
(v) The value of two unrealized deposits and three recoveries of overpayments amounting to Rs. 217,180, had been stated as a debt liability in the name of Government Revenue Account instead of being accounted for as income.	It should be correctly brought to account.	Steps were taken to account for those values as a liability to settle any problematic situation that may arise in the future. Action will be taken to credit those balances to the Accumulated Fund in the year 2020
(vi) The licensing fee revenue of Rs. 516,270 in the year under review had been stated as Rs. 782,170 in financial statements and as such a sum of Rs. 265,900 had been overstated.	It should be correctly brought to account.	Agree
(vii) As at 31 December of the year under review, action had not been taken to identify and account for the value of dishonoured cheques amounting to Rs.222,000.	It should be correctly brought to account.	Action will be taken to settle the value of dishonoured cheques in this year.

(b) Unreconciled Account  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) The value of six items of accounts according to the relevant documents amounted to Rs. 1,942,028 as at 31 December 2019, but it was Rs. 8,167,511 according to the financial statements. Accordingly, there was a difference totaling Rs. 6,225,483	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Action will be taken to prepare the accounts correctly by considering the matters.
(ii) According to the financial statements as at 31 December of the year under review, the loan balance of the Local Loan and Development Fund stood at Rs.10,795,878 but it was Rs. 10,402,103 according to the balances confirmation as at date. Accordingly, there was a difference of Rs. 393,775.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Action will be taken to obtain balance confirmation and to find a clear solution on the loan installments to be paid in consultation with the Local Loan and Development Fund.
(d) Suspense Account -----	Recommendation -----	Comment of the Accounting Officer -----
Audit Observation -----	It is necessary to look into this matter and make the necessary adjustments in the accounts and settle the suspense accounts.	Agree.  Action will be taken to look for the information of previous years and rectify this matter.

(d) Accounts Receivable and Payable  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Four receivable account balances amounting to Rs. 3,631,149 had been in existence for more than 05 years. as at 31 December of the year under review.	Action should be taken to recover the balance due.	Agree. Action will be taken to look for the information of previous years and rectify this matter.
(ii) Two account balances of Rs. 2,618,325 had been in existence for more than 02 to 10 years as at 31 December of the year under review.	Action should be taken to settle the balance payable.	Action will be taken to correct this in the future.
(iii) The VAT amounting to Rs. 26,218 and stamp duty of Rs.32,647 received by the Sabha in previous years had been adjusted to the Accumulated Fund instead of being settled it by remitting to the Commissioner General of Inland Revenue.	Action should be taken to settle the balance payable.	Action will be taken to correct this in the future.

(e) Lack of Necessary Documentary Evidence for Audit  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No credible evidence had been presented in respect of 08 items of accounts valued at Rs.592,480,467.	Evidence confirming the account balance shown in the financial statements should be furnished.	Agree

1.4 Non-compliance

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 Non-compliance with Laws, Rules, Regulation and Management Decisions  
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Reference to Laws, Rules, Regulation and Management Decisions	Value	Non-compliance	Recommendation	Comment of the Accounting Officer
	Rs.			
(a) Motor Traffic Act No. 14 of 1951				
i. 99(1) හා 104 (1) වගන්ති	-	Seven vehicles belonging to the Sabha had been driven without obtaining an insurance license.	Action should be taken in accordance with the relevant sections of the Act.	Agree.
ii. Section 25(1)	-	Eight vehicles owned by the Sabha had been driven without obtaining a revenue license.	Action should be taken in accordance with the relevant sections of the Act.	Agree.
(b) Extraordinary Gazette Notification No. 1533/16 and 25/01/2008 issued under the Environmental Act No. 47 of 1980.		Environmental licences had not been obtained for the Siyambalagaskada and Muslim Halmillewa slaughterhouses.	Action should be taken to obtaining Environmental Licences in accordance with the Act.	Instructions have been given to obtain Environmental Licences for slaughterhouses.
(c) Section 09 of By-law 32 of the Gazette Notification of the Standard By-Laws dated 23 August 1988	1,042,660	. Charges had not been recovered for inspecting and sealing the animals slaughtered in cattle slaughterhouses in the Sabha area.	Action should be taken to charge in accordance with the bylaws.	Action will be taken to take a decision of the General Assembly to the gazette the amount

mentioned in the standard by-law and collect the relevant fees accordingly.

(d)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.189	222,000	Action had not been taken on the cheque that had been dishonoured in February 2019.	Action had should be taken as per the Financial Regulations.	Action will be taken to settle the value of dishonoured cheques in this year.
(e)	Section 3.1 of Public Administration Circular No. 30/2016 dated 27 December 2016		Three vehicles belonging to the council had not been inspected for fuel consumption.	Action should be taken as per the circulars.	Agree.
(e)	Circular No. 20/2002 dated 24 July 2002 of the North Central Local Government Commissioner .	78,910	Instead of paying 50 per cent of the inspection fee levied on street lines and building subdivisions, the entire amount had been paid to the relevant officers.	Action should be taken as per the circulars..	Agree. Action will be taken to recover from the officers.

## 02. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 1,093,356 for the year ended 31 December 2019 as against the recurrent expenditure in excess of the revenue amounting to Rs. 320,733 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	2,309,558	859,724	780,023	1,281,522	2,258,910	2,266,365	2,179,640	1,201,821
(ii) Lease Rent	17,503,600	5,588,110	5,503,849	2,091,277	13,283,400	6,027,630	6,387,150	2,007,016
(iii) License fees and services	5,486,450	6,197,926	6,197,926	505,700	4,776,560	5,178,613	5,178,613	505,700
(iv) Other income	2,304,318	4,211,033	3,168,679	3,163,575	2,316,285	2,226,392	7,652,004	2,121,221
	<u>27,603,926</u>	<u>16,856,793</u>	<u>15,650,477</u>	<u>7,042,074</u>	<u>22,635,155</u>	<u>15,699,000</u>	<u>21,397,407</u>	<u>5,835,758</u>

## 2.2.2 Rates and Tax

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) At the end of each quarter, a list of defaulters and a list of property prohibition had not been prepared under the Rule 33 of the Local Government (Finance and Administration) Rules 1988.	According to Rule No. 33, action should be taken to make recovery of arrears and initiate legal action in case of default.	The arrears has been continued to exist from previous years. Currently the assessment area has been mapped using GPRS technology to get a new assessment.
(b) Due to the rates levied on the assessment in the year 2005, recovery of the rates on new constructions, amendments etc. after that period had been avoided.	Revisions should be made and rates should be recovered accordingly.	Not replied.

## 2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
A sum of Rs.777,123 due from 39 shops and Rs. 1,314,153 due from meat and fish stalls by 31 December 2019 had not been collected.	Charges should be recovered as per the Act.	The balance of Rs. 1,037,693 has been in existence from previous years. Action will be taken regarding the arrears of previous years by sending it for the approval of the Governor. Part of the arrears has already been recovered.

## 2.2.4 License Fees

### Audit Observation

No action had been taken to conduct a survey on the billboards in the area and recover the charges.

### Recommendation

Relevant documents should be maintained up to date and charges should be recovered accordingly.

### Comment of the Accounting Officer

A register on the billboards in the jurisdiction is maintained and action will be taken to recover the relevant fees.

## 2.2.5 Other Income

### Audit Observation

Action had not been taken to recover the stamp duty due from the Chief Secretary and other authorities for the years 2017 to 2019.

### Recommendation

Action should be taken to recover the revenue due.

### Comment of the Accounting Officer

Agree. Out of the revenue of stamp duty due to the Sabha for the years 2017, 2018, 2019, the recommended fee due by now has been received from the Provincial Revenue Department. Action will be taken to obtain the money by enquiring relevant information from the Provincial Treasury

## 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 Sabhas Act, are as follows.



(b) By-laws

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Audit Observation

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Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act to perform 28 main functions, no by-laws had been enacted as at 31 December 2019.

Recommendation

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Action should be taken to impose by-laws.

Comment of the  
Accounting Officer

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Agree.  
The by-laws set out under Section 126 of the Pradeshiya Sabha Act have not been enacted. The enacted standard by-laws that have been adopted.

(b) Sustainable Development Goals

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Audit Observation

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The Pradeshiya Sabha had not acted in accordance with the United Nations Sustainable Development Agenda 2030 in the year 2018.

Recommendation

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The Sabha should be aware of the relevant agenda and take steps towards achieving the Sustainable Development Goals.

Comment of the  
Accounting Officer

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Action has been taken to achieve a possible extent of 17 Sustainable Development Goals through Tthe 2020 Action Plan.

3.2 Management Inefficiencies

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Audit Observation

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The 46 stalls constructed under the Pura Neguma project and handed over to the Sabha had been given on rent on contract basis, but Rs.19,250,000 due for the relevant stalls had not been recovered.

Recommendation

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Action should be taken to recover the arrears as per the agreement

Comment of the Accounting  
Officer

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Action will be taken to initiate legal action to recover the arrears due to the stalls.

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
The employee loan that remained unrecovered for a period of 01 to 20 years relating to the officers who are not currently serving in the Sabha stood at Rs. 556,258.	Action should be taken to recover the relevant outstanding balances.	Outstanding balances will be recovered in installments and action will be taken to seek the approval of the Governor to write off the non-recoverable balance from the arrears.

3.4 Assets Management

Idle/Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
Three vehicles belonging to the Sabha remained idle for a period of 03 months to 10 years.	Those should be repaired or disposed of properly.	Action will be taken to resolve the relevant issues in the future.

3.5 Contentious Matters

Audit Observation	Recommendation	Comment of the Accounting Officer
The value of lands and building amounting to Rs. 95,301,489 as at 01 January of the year under review had been stated as Rs. 574,042,740 in the financial statements based on an assessment of a committee appointed by the Sabha and accordingly, the value of land and buildings had increased by 502 per cent.	The assessment should be done by a committee with expertise in assessment.	A committee including the Technical Officer of the Pradeshiya Sabha has carried out the survey and made a temporary assessment as discussed by the Audit Management Committee held on 18.12.2019.

04. Accountability and Good Governance

4.1 Implementation of Audit and Management Committees

Audit Observation	Recommendation	Comment of the Accounting Officer
No Audit and Management Committee meetings had been held for the year under review as per the Management and Audit Circular No. DMA / 2009 (1) (i) dated 28 January 2016.	Action should be taken in terms of Circular.	One Audit Management Committee has been held in the year 2019.

4.2 Unresolved Audit Observations

Audit Observation	Recommendation	Comment of the Accounting Officer
There were still six unresolved audit paragraphs worth Rs. 3,007,024 pointed out by the report of the preceding year.	Management should take necessary action regarding audit queries.	Action has been taken to deal with the relevant queries and to seek necessary advice from the Department of Local Government.