

**Mawathagama Pradeshiya Sabha  
Kurunegala District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The 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 had been sent to the Chairman on 22 October 2018.

**1.2 Qualified Opinion**  
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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 Mawathagama 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 the Financial Statements**  
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**1.3.1 Accounting Deficiencies**  
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The following matters were observed..

- (a) Despite being paid retention money of Rs.50,000 relating to the project for concreting Udagammana Gamsabha Road, it had been shown under creditors.
- (b) Stores issuance of Rs.689,104 of the year under review had been understated in the account.

**1.3.2 Unreconciled Accounts**  
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There was a difference of Rs. 27,372,555 between the balance as per the financial statements and the balance as per the schedules in relation to 06 items of accounts as at the end of the year under review.

### 1.3.3 Accounts Receivable and Payable

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(a) Accounts Receivable

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Out of the balance receivable amounting to Rs. 112,908,991 as at 31 December 2017, action had not been taken to recover a sum of Rs. 29,618,521 that remained outstanding for more than a period of one year.

(b) Accounts Payable

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Out of the balance payable amounting to Rs. 40,018,159 as at 31 December 2017, action had not been taken to settle a sum of Rs. 4,810,167 that had exceeded a period of more than 03 years.

### 1.3.4 Lack of necessary written evidence for audit

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Fifteen items of accounts totalling Rs. 110,341,695 could not be satisfactorily verified in audit for not providing the necessary information.

### 1.3.5 Non-compliance with laws, rules, regulations and management decisions

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Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to laws, rules, regulations and management decisions	Value Rs.	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. F.R. 570 and 571	143,203	Action had not been taken on 59 lapsed deposits.
(b) Guideline 3.4.3 (d) of the Government Procurement Guidelines 2006.	311,253	Purchase had been made on 11 occasions during the year under review based on the prices of the procurement decisions of which the permissible period had elapsed.

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|-----|---|--------|--|
| (c) | Public Administration Circular No.26/29 dated 19 August 1992.                           |        | The state insignia was not used in the vehicles owned by the Sabha.  |
| (d) | Circular No: 01/12/01/34 of the Local Government Commissioner dated 30th December 2015. | 55,670 | In contravention to the provisions in the Circular, the Secretary of the Sabha had deployed a Cab for running over a 5,197 kilometers. |

### **1.3.6 Transactions not Supported by an Adequate Authority**

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The following matters were observed.

- (a) Librarry deposits of Rs. 65,850 and creditors value of Rs. 5,203,293 had been adjusted to the Accumulated Fund throught 06 journal entries without formal approval.
- (b) Due approval had not been obtained to credit Rs. 205,336 and Rs. 849,747 to the Acumulated Fund as corrections of the deposit balances.

## **02. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 29,726,634 for the year ended 31 December 2017 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 18,304,262 for the preceding year.

## 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, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
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(i) Rates and Taxes	4,760	5,090	3,936	4,414	3,234	2,069	1,860	4,666
(ii) Rents	8,565	7,458	7,286	2,638	7,930	7,302	4,364	2,466
(iii) Licence Fees	802	281	281	70	1,204	1,047	1,048	70
(iv) Other Revenue	115,616	105,043	82,936	77,195	120,663	96,527	76,372	49,613
<b>Total</b>	<b>129,743</b>	<b>117,872</b>	<b>94,439</b>	<b>84,317</b>	<b>133,031</b>	<b>106,945</b>	<b>83,644</b>	<b>56,815</b>

Note

Recoveries relating to the preceding year included in the revenue collected during the year under review amounted to Rs.26 million.

## **2.2.2 Performance in the Collection of Revenue**

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Out of Rs.174 million comprising the billed revenue for the year under review and the outstanding revenue of the preceding years, a sum of Rs.94 million had been collected. The outstanding revenue of Rs.57 million as at the end of the preceding year had been Rs.84 million be the end of the year under review.

## **2.2.3 Rates and Taxes**

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Out of the arrears of Rs. 4,665,952 as at the beginning of the year, a sum of Rs. 653,000 or 13 per cent only had been collected. The progress of the recovery of arrears of the Sabha was not at a satisfactory level.

## **2.2.4 Rents**

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Out of the arrears of Rs. 2,466,000 as at the beginning of the year, a sum of Rs. 984,000 equivalent to 40 per cent only had been collected. Rents of Rs.1,082,046 remained outstanding for more than a period of 10 years from a film hall.

## **03. Operating Review**

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### **3.1 Performance**

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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 to be performed by the Sabha in terms of Section 3 of the PradeshiaSabhas Act, are as follows.

#### **(a) By-laws**

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Even though By-laws should be enacted to perform 30 main activities under the Section 126 of the Pradeshia Sabha act, by-laws had been enacted only for 14 activities by 31 December 2017.

#### **(b) Action Plan**

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According to the by-laws, the Annual Action Plan had not been prepared for the tasks to be performed by the Sabha.

(c) Unimplemented Activities

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Four budgeted activities worth Rs. 2,000,000 had not been carried out during the year under review.

(d) Solid Waste Management

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- i. Approximately 60 per cent of degradable garbage of the collected waste used for the production of compost and the remaining non-degradable garbage had been irregularly disposed of in pits on Government Land.
  - ii. Of the 720 tons of garbage collected in the year under review, only eight tons of compost had been produced.

(e) Environmental Issues

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As the waste of the slaughterhouse had not been properly disposed of, it could have posed threat to the public health and caused environmental pollution.

(f) Sustainable Development Goals

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Although the Sabha did not have wide knowledge of the "Sustainable Development Agenda 2030", programs were in place to expand opportunities for self-employment aimed at alleviating poverty. Due to lack of necessary machinery and financial capabilities and ignorance, the resources and capacities required to achieve the Sustainable Development Goals could not be consistently obtained.

**3.2 Management Inefficiencies**

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The following matters were observed.

- (a) Action had not been taken to recover processing charges of Rs.400,000 relating to 20 transmission towers erected in the Sabha area and issue the Certificates of Conformity.
- (b) Various Circulars needed for day to day affairs of the Sabha had not been maintained in an updated manner.

### **3.3 Human Resource Management**

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Three posts of the Librarian remained vacant over a number of years.

### **3.4 Assets Management**

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#### **3.4.1 Idle Underutilized Assets**

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A cab owned by the council, two mobile stalls to be provided to the beneficiaries and an ambulance which the Sabha did not own had remained idle in the premises of the Sabha for several years.

#### **3.4.2 Apparent Irregularities**

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A business construction was being carried out by a certain person in the road reservation in the centre of the Mawathagama town contrary to the approved plan. The Sabha had not instituted legal action in that connection.

### **3.5 Procurement**

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#### **3.5.1 Contract Administration**

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The following Matters were observed.

(b) As the roads from Udu Inguruwatta to Palle Inguruwatta, Quarry Road, Akawe main road, Samodaya Housing Scheme by roads II Mawatha, Mawathagama Sammagi Uyana Mawatha and Denewarwatta Road developed at Rs. 5,243,376 had not been concreted in proper standard, those roads had been damaged while surfacing sand and stones on the roads.

(b) It was observed at the physical inspection carried out on 30 October 2017 that concrete curbs as well as paving blocks of 03 places of the Mawathagama weekly fair road constructed at Rs. 1,129,489 had remained damaged.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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A sum of Rs.2,172,545 had been spent for 05 unbudgeted activities during the year under review.

### **4.2 Internal Audit**

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Copies of the Internal Audit Reports had not been furnished to the Auditor General.

## 5. **Systems and Control**

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Deficiencies 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 systems and control.

System	Deficiency
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(a) Revenue Control	Failure to take action to recover the dues.
(b) Assets management	(i) Failure to take steps on the idle and underutilized assets. (ii) Not maintaining the Register of Fixed assets in an updated manner.
(c) Procurement Process	Not making purchases in accordance with the Procurement Guidelines.
(d) Budgetary Control	Incurring expenditure without being budgeted.