

**Mawathagama Pradeshiya Sabha  
Kurunegala District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented to audit on 26 March 2019 and the Summary Report of the Auditor General on the financial statements on 31 May 2019 and the Detailed Management Audit Report on 31 May 2019 had been furnished to the Chairman.

**1.2 Qualified Opinion**

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The value of the Land and buildings had been overstated by a sum of Rs. 3,825,000 .	The accurate value should be accounted for.	It will be corrected in the next year.
(b) The evidences relating to 13 account balances valued at Rs. 33,818,315 had not been submitted to audit.	Audit evidence that ascertain the account balance should be submitted.	The Register of Fixed Assets will be updated next year and I documents, schedules and age analysis will be submitted.

**1.4 Non- compliance**

**Non - compliance with Laws, Rules and Regulations**

Reference to Laws, Rules and Regulations	Non – compliance	Recommendation	Comments of the Accounting Officer
(a) Section 143 (1) of the Pradeshiya Sabhas Act No. 15	Actions had not been taken in respect of changes made to the 13 properties	Actions should be taken in compliance with	Arrangements will be made in future.

of 1987 in the year 2016 and 13 the Act.  
properties in the year  
2017 .

(b) Section 26 of the Environment Act No. 47 of 1980 as amended by the National Environmental Act No. 56 of 1988 Eight business premises which were required to obtain Environmental Permits were being occupied businesses without obtaining Environmental Permits . It should be complied with the Rules and Regulations. Arrangements will be made in future.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 was Rs. 30,308,129 as compared to the corresponding revenue over recurrent expenditure for the preceding year was Rs. 29,726,634.

### 2.2 Revenue Administration

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

Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

Source of Revenue	Year 2018				Year 2017			
	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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	4,960	9,609	4,769	4,840	4,760	5,090	3,936	4,414
Rent License Fees	10,099	12,313	10,180	2,132	8,565	7,458	7,286	2,638
	602	397	326	70	802	281	281	70
Other	107,422	107,603	74,991	32,611	115,616	105,043	82,936	77,195
<b>Total</b>	<b>123,083</b>	<b>129,922</b>	<b>90,266</b>	<b>39,653</b>	<b>129,743</b>	<b>117,872</b>	<b>94,439</b>	<b>84,317</b>

### 2.2.3 Rates and Taxes

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Out of the opening balance of arrears amounted to Rs. 4,414,043 only a sum of Rs. 538,534 or 12 per cent had been recovered. Accordingly, the progress of recovering of the arrears of the Sabha was at a low level.</p>	<p>Actions should be taken to recover arrears revenue.</p>	<p>Arrangements will be made to recover the arrears revenue.</p>

### 2.2.4 Rent

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>(a) Lessees had earned an annual income of Rs. 3,570,000 by providing to other parties on interim leases on monthly rentals without complying with the provisions of Section 23 of the Lease Agreement relating to leasing of 15 stalls of Mawathagama Market for Rs. 720,000 .</p> <p>Any action had not been taken in terms of Section 34 of the Lease Agreement in respect of interim leases.</p>	<p>Actions should be taken in accordance with the lease agreement in respect of Interim Leases.</p>	<p>Actions will be taken to hand over to the present owners with the approval of the Commissioner .</p>
<p>(b) Although the leasehold property should not be sold or transferred to another person in terms of Section 23 of the Stalls Lease Agreement, lessees of 06 stalls of</p>	<p>Selling or transferring the ownership of stalls to another person should be done properly and it should act in</p>	<p>Actions will be taken in future examining under the approval of the Commissioner to transfer to the present owners.</p>

Mawathagama Market had been sold or transferred to other parties for a sum of Rs. 7,800,000 and some of the stalls were reserved without the approval of the Sabha in contrary to Section 12 of the lease agreement. Even though the stalls number 17 and 24 were leased out to other persons, actions had not been taken in respect of that.

accordance with the provisions of the Agreement.

### 2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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The court fines amounted to Rs. 2,332,333 and stamp fees amounted to Rs. 40,000,000 were in receivable as at 31 December 2018 from the Chief Secretary of the Provincial Council and other authorities.	Action should be taken to recover the arrears of revenue.	Revenue of receivable is correct.

## 03. Operating Review

### 3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of functions of the Sabha such as 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 are as follows.

#### (a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although the By-laws should be enacted to	Actions should be taken to formulate	Actions will be taken in future.

fulfill 30 main matters under Section 126 of the Pradeshiya Sabha Act, the By-laws had been enacted in respect of only 14 matters as at 31 December 2018 .

the By-laws as per the requirements of the Sabha and in accordance with the by-laws enacted.

**(b) Abandoned Tasks**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Even though a sum of Rs. 693,874 had been paid to a private planning institution for the building plans of the construction of Pradeshiya Sabha new building, the construction had had not been commenced and the old Sabha meeting room had been renovated incurring a sum of Rs. 2,300,753 during the year under review.	Actions should be taken to spend Sabha funds systematically.	The new Sabha building has been renovated to suit the need. Actions will be taken as per the plan in future.

**(c) Solid Waste Management**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(i) Due to malfunctioning of compost halar machine and failure to remove polythene using a bale machine, the fertilizer production works were inefficient.	The activities of the compost project should be carried out efficiently.	The halar machine is being repaired. Quotations have been called for the purchase of the bale machine.
(ii) Even though a center for toilet waste management was established about three years ago, since the work had not been commenced due to construction defects,	Actions should be taken to dispose of waste Hygienically.	Actions are being taken for this promptly.

the toilet waste had been buried in the center premises.

### 3.2 Management Inefficiencies

#### Audit Observation

Although a file has been opened and actions are being taken for many years regarding unauthorized construction in the center of Mawathagama town actions had not been taken in accordance with the provisions of the Pradeshiya Sabha Act No. 15 of 1987 .

#### Recommendation

Actions should be taken in terms of the provisions of the Pradeshiya Sabha Act No. 15 of 1987 .

#### Comments of the Accounting Officer

Actions have been taken to file a case.

### 3.3 Human Resources Management

#### Audit Observation

- (a) There was an excess of 49 officers in 09 posts in the approved staff. There were 17 Development Officers within that.
- (b) The employee loan balance receivable as at 31 December in the year under review from 11 employees of Sabha who had retired, died and transferred.

#### Recommendation

- Actions should be taken to revise the number of approved staff.
- Actions should be taken to recover the employee loans receivable precisely.

#### Comments of the Accounting Officer

- A group of officers attached to the Department of Local Government.
- Actions will be taken to recover the employee loans in future. Arrangements will be made to recover the loan balances when the payment of pension gratuities.

### 3.4 Procurement

#### Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Even though the payment amounted to Rs. 574,454 had been made stating 0.47 mm zinc aluminum roofing sheet has been used for the construction work of vehicle yard work item No. 12 of the stage 01 and work item 11 of stage 02, the roofing sheets were nearly 0.40 mm while carrying out the physical examination.</p>	<p>According to the prescribed specifications The construction should be done properly.</p>	<p>It was impossible to obtain clear measurements since the caliber instrument was not capable of providing accurate measurement .</p>
<p>(b) According to the estimate of applying interlocks to the entrance to the General Assembly Hall, although the concrete supports should be constructed to a height of 225 mm and 150 mm in width, the construction had been carried out with a height of 100 mm and a width of 140 mm as per the Physical examination.</p>	<p>The constructions should be done properly.</p>	<p>The contractor has been informed to rebuild according to the specifications appear in the estimate.</p>