

Mahara Pradeshiya Sabha
Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 29 February 2020 and the report of the Auditor General sent on 15 July 2020 and the detailed management reports sent on 30 September 2020 to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described under the Section of basis for the qualified opinion of this report, Financial Statements give a true and fair view of the financial position of the Mahara Praheshiya 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 Qualified Opinion

1.3.1 Accounting Deficiencies

Audit observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) The value of 07 Land and Building were understated by and amount of Rs.179,111 in accounts.	Attention should be given by the management to prepare accounts correctly.	Action will be taken to account after a proper identification since the Millagahawatta land had not been accounted.
(b) A sum of Rs.105,156 to be charged from 16 staff members for No pay leaves had not been accounted.	Financial Statements should be prepared correctly.	Action will be taken to correct in the final account of 2020.
(c) An amount of Rs.181,971 allocated as un agreed Work Creditor for 2018 had not been corrected.	Financial Statements should be prepared correctly.	Action will be taken to correct in the final account of 2020.

1.3.2 Lack of Documentary evidence for audit.

Audit observations -----	Recommendations -----	Comments of the Accounting Officer -----
Information regarding 09 Accounts amounting Rs.426,211,378 had not been	Audit evidence should be	Action will be taken to rectify in the

presented for audit.

presented for audit final account of
with the Accounts. 2020.

1.4 Non compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions.

References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a) Paragraph 24(1) b of 1987 Pradeshiya sabha Act No.15	A survey was not done and a name list had not been published in the Gazette regarding new roads belonging to the area of authority of the council.	Action should be taken according to the Paragraphs of the Act.	Action will be taken to gazette in future.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) 571 (1)	Action had not been taken regarding General Deposits amounting to Rs.1,800,240 expired more than two years before.	Action should be taken according to the Financial regulations.	Noted that action will be taken to take into income by this year.
(ii) 371	Action had not been taken regarding election travelling expenses Advance amounting to Rs.97,910 for the year 2004 and 2005.	Action should be taken according to the Financial regulations.	The Information could not be provided since the relevant documentary evidence is destroyed.

1.5 Unreconciled Balances

Audit observations

Recommendations

Comments of the Accounting Officer

Action had not been taken to reconcile 13 balances amounting to Rs.873,685 due from numerous years as according to the accounts of the year under review.

Action should be taken to reconcile by investigate.

Action is being taken to prepare and correct accounts after separating rectifiable items and items needing approval.

1.6 Receivable and Payable income

Audit observations	Recommendations	Comments of the Accounting Officer
(a) There were debtor balances of 3 to 5 years amounting to Rs.2,326,591 and 1 to 3 years amounting Rs.40,251,120 as at the end of the year under review.	Action should be taken to recover receivable balances.	Accounts are being reconcile after confirming the balances.
(b) There were creditor balances of 3 to 5 years amounting to Rs.47,555,076 and 1 to 3 years amounting Rs.42,898,769 as at the end of the year under review.	Action should be taken to settle the payable balances.	Accounts are being compared after confirming the balances.
(c) There was a deposit amounting to Rs.620,582 relating to house rent for Mahara Sub office from 1989 to 2017 continuously.	Action should be taken to settle.	Owners are being informed to settle the House rent deposits.

2. Financial review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.38,761,396 as compared with the corresponding Recurrent Revenue over Recurrent Expenditure for the preceding year amounted to Rs.79,033,746

2.2 Revenue Administration

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

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and tax	13,298,750	10,912,623	11,363,697	3,906,604	11,086,300	11,640,113	11,353,520	4,248,493
Rent	4,565,000	5,086,821	5,167,921	9,500	6,920,000	6,901,084	6,953,014	-1,986,894
Permit fees	2,462,150	1,972,646	1,971,646	14,500	2,580,400	2,262,157	2,263,157	-237,664
Other income	325,929,000	266,074,507	262,315,889	493,371	150,457,000	262,642,532	262,698,167	505,350
Total	346,254,900	284,046,597	280,819,153	4,423,975	171,043,700	283,445,886	283,267,858	2,529,285

2.2.2 Assessment and Tax

Audit observations	Recommendations	Comments of the Accounting Officer
(a) Steps had not been taken to recover arrears of Assessment amounting to Rs.3,238,829 as according to the Paragraph 158(1) of the 1987 Pradeshiya Sabha Act No.15.	Steps should be taken to recover arrears of Assessment.	Notices had been sent to inform pay arrears of Assessment and action will be taken according to the Act.
(b) The Business and Industrial tax amounting to Rs.75,200 was to be recovered from 34 Businesses in Mahara Sub office area.	Action for collecting arrears of Tax should be improved.	Legal actions had been taken against the Businessmen.

2.2.3 Transmission Tower Income

Audit observations	Recommendations	Comments of the Accounting Officer
The arrears of 03 sub offices amounted to Rs.42,000.	Arrears balances should be recovered without delay.	Required action will be taken to recover relevant arrears without delay.

3. Operational Review

3.1 Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) By Laws

Audit observations	Recommendations	Comments of the Accounting Officer
Although By laws should be enacted to perform all the main facts under the Paragraph 126 of the Pradeshiya Sabha Act, 04 By laws were not enacted even up to 31 December 2019.	Required by laws should be enacted.	Required by laws are due to be enacted.

(b) Abandoned Functions

Audit observations

170 projects received by the council within the year under review had to be abandoned due to non-presenting of contractors.

Recommendations

Plans should be prepared by a proper evaluation.

Comments of the Accounting Officer

Had to be abandoned due to lack of participation of Contractor and Community Societies.

(c) Environmental Problems

Audit observations

11 Environmental pollution complains, 08 Garbage related complains, and 437 Public complains arisen due to inefficient disposal of garbage by the council and the damage to the environment from the industries within the area of authority of the council had not been solved by the Council.

Recommendations

Public Complains should be solved immediately.

Comments of the Accounting Officer

Legal action had been taken to solve the problems.

(d) Goals of Sustainable Development

Audit observations

Plans had not been made according to 2030 Agenda for the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory and only 06 Juki machines amounting to Rs.292,230 had been provided to 06 low income self employed families as at 27 December 2019.

Recommendations

Action should be taken to initiate plans for sustainable development.

Comments of the Accounting Officer

06 low income families were provided Juki machines.

3.2 Management Inefficiencies

Audit observations

(a) Although the total number of roads within the area of authority of the council is 7943 as according to the Road Inventory as at 31

Recommendations

Steps should be taken to prepare Plans for all roads

Comments of the Accounting Officer

It is decided that since a large capital is to be spent, only

<p>December 2019, only 24 of the roads and a few plans were Gazetted as at 31 December 2018. No plans were prepared, and no roads were gazette as at 2019.</p>	<p>and Gazette.</p>	<p>10 roads are selected at one time to gazette.</p>
<p>(b) Distress loan balance due from preceding years to be collected from a deceased officer amounted to Rs.98,654.</p>	<p>Recoverable distress loans should be recovered without delay.</p>	<p>Action will be taken to recover the loan in future.</p>
<p>3.3 Operational Inefficiencies</p>		
<p>Estimation of Assessment/Property not done in a timely manner. Audit observations</p>	<p>Recommendations</p>	<p>Comments of the Accounting Officer</p>
<p>The property assessment of the council had been done before 10 years and although a new Assessment Tax estimate was done in 2012 it was not in acted as at present and as such taxes were not collected based on revised assessment value relevant for the present for 12,988 property belonging to the area of authority.</p>	<p>Assessment should be collected based on the new assessment.</p>	<p>New estimates can be initiated in 2021.</p>
<p>3.4 Asset Management</p>		
<p>3.4.1 Public Facility Land</p>		
<p>Audit Observations</p>	<p>Recommendations</p>	<p>Comments of the Accounting Officer</p>
<p>(a) The land of 4.5 perch in Nuwara road Kirillawala was not used for any developmental or commercial use.</p>	<p>Action should be taken to develop the land as a way of income earn the for council.</p>	<p>It was decided to use the land for a developmental work in future.</p>
<p>3.4.2 Annual Inventory/Stock Verification</p>		
<p>Audit Observations</p>	<p>Recommendations</p>	<p>Comments of the Accounting Officer</p>
<p>(a) As according to the stock verification report dated 31 December 2019, 423 books valued at Rs.70,667 had been displaced and 600 books</p>	<p>Action should be taken according to the Circulars</p>	<p>Noted that action is to be taken according to the Circulars and</p>

valued at Rs.177,105 had been borrowed by members and officers had not been returned.

- (b) 848 library books valued at Rs.123,972 had not been presented to the verification as according to the Library Verification Board as at 31 December 2019.

regarding the to bring back the displacement of displaced books.

Action should be Noted that the action taken according to will be taken the Circulars. according to the Circulars in the future.

3.5 Procurement

3.5.1 Annual Procurement Plan

Audit Observations

A procurement plan and a Detailed annual plan had not been prepared in accordance with the Section 4.2.1 (b) and (c) in the National Procurement Agency Circular No.08 dated 25 January 2006.

Recommendations

Procurement Guidelines should be followed.

Comments of the Accounting Officer

Will be prepared and presented for the preceding year.