

**Meerigama 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 06 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 July 2020 and 30 September 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Katana Meerigama 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 the Qualified Opinion**

**1.3.1 Accounting Deficiencies**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) Weekly Fair had been stated in the accounts as Land and Buildings of Rs.1,737,500 even though it had been demolished.	Accounts should be made accurately.	Actions would be taken to correct by the Final Accounts for the year 2020.
(b) Land belongs to Wevaldeniya Sub office of Rs.3,121,000 a computer of Rs.240,170 22 items of Furniture and Equipments of Rs.2,625,895 had not been capitalized.	Fixed Assets should be capitalized.	Actions would be taken to include into the Fixed Assets Register in the future.
(c) The income earned by the sale of Composts Bins for the year under review of Rs.76,000 had been accounted as Deposits.	It should be showed in the relevant accounts accurately.	Actions would be taken to add them into the Sabha Revenue.
(d) An amount of Rs.141,430 unrecognizable had been accounted in the balance of the creditors.	The allocations should not be provided for the Creditors not confirmed.	Actions would be taken to write off this balance.

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| (e) The balance had been understated by Rs.130,658 when transferring the balance of the Supplies and Equipments Expenditure Account to the Revenue and Expenditure account. | Accounts should be made accurately. | Inform that actions would be taken to prevent this type of mistakes. |
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**1.3.2 Unreconciled Control Accounts**

Audit Observations	Recommendations	Comments of the Accounting Officer
A difference accumulated of Rs.5,579,310 had been appeared between 13 account balances stated in the financial statements and its Subsidiary Registers.	Actions should be taken to correct the registers, documents.	Actions would be taken to correct in the future.

**1.3.3 Lack of Necessary Documentary to Evidence for Audit**

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Registers on 06 items of accounts accumulated value of Rs.386,959,341 had not been updated and the registers and documents had not been rendered to the audit.	Evidence to confirm the balances of accounts in the financial statements should be furnished.	It would be forwarded in the future.
(b) Deeds and Order of transfers were not available with 17 Lands and Buildings valued of Rs.1,785,841.	Deeds and Order of transfers should be obtained.	Actions would be taken to obtain Deeds and Order of transfers regarding the Lands and Buildings owned by the Sabha.

**1.3.4 Transactions not proved by Authority**

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) A formal approval had not been obtained to write off an amount of Rs.6,801,344 from the machinery and Equipments Account and Rs.116,705 from the Furniture and Fittings Account.	A recommendation of an inspection board should be obtained.	Actions would be taken to obtain a formal approval.
(b) i. Recoverable license fees and business tax and license fees of Rs.11,340 belongs to Meerigama Sub Office and	A formal approval should be obtained.	The Industrial and business tax amounted to Rs.7,340 belongs to the Meerigama Sub Office had

recoverable tax income and lease agreements of Rs.64,281 belongs to the Pallewela Sub Office had been written off by the accounts without a formal approval.

been sent for obtaining the approval to write off but still did not receive.

- ii. A formal approval had not been obtained for the purchase and distribution of Exercise Books of Rs.3,424,615 for the year under review. Purchasing should be done on a prior approval. It had been forwarded to obtain the approval and it had not been received yet therefore the payments had not been settled.
- iii. 13 Items of Lands and Buildings of Rs.2,351,028 had been written off from the accounts without a formal approval during the year under review. Actions should be taken to approve the formal approval. Inform that actions would be taken to obtain the formal approval in the future when making these kind of actions.

#### 1.4 Non Compliances

##### ----- Non-compliance with Laws, Rules, Regulations and Management Decisions -----

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
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<u>Local Authorities Special Regulations Act No.48 of 1971</u>	A new assessment had not been carried out for the rates after the year 2009.	A tax assessment should be carried out at least every 05 years.	Requests had been made from the Department of Valuation after obtaining the approval from the Sabha for a new assessment since the year 2013. Actions had been taken to raise the income by raising the rate of recovering the Rates from 3% to 5% because the requests had not been approved.

#### 1.5 Receivable and Payable Accounts

##### (a) Receivable Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
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The balance of the receivable accounts of Rs.6,789,986 as at 31 December of the year under review had been included balance between 01-03 years of R.79,325, between 05-	The receivable balances should be recovered.	Actions would be taken to recover the receivable balances.

10 years of Rs.13,226 and balance over 10 years of Rs.6,176,114. The balance over 10 years had been included an amount of Rs.3,748,794 advance over paid to a private institute and a balance not recognized of Rs.17,139.

**(b) Payable Accounts**

----- <b>Audit Observations</b> -----	----- <b>Recommendations</b> -----	----- <b>Comments of the Accounting Officer</b> -----
i. The balance of the creditors as at 31 December 2019 of Rs.90,615,551 had been included a balance not recognized of Rs.15,675,106, balance over 05 years of Rs.1,813,793 and a balance between 1- 5 years of Rs.9,803,251.	Actions should be taken to settle the payable balances.	Actions are being taken to settle the payable balances and write off the rest after recognizing them.
ii. Balance of The deposits payable as at 31 December 2019 of Rs.27,677,960 had been included a balance less than 01 year of Rs.6,086,414, balance between 1-3 years of Rs.3,767,860 a balance between 3-5 years of rs.1,222,249 and a balance over 05 years of Rs16,586,36.	Actions should be taken according to the Circulars.	Actions would be taken in the future under the advices.

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.33,023,19 compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.21,943,65.

**2.2 Revenue Administration**

**2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2019				2018			Total arrears as at 31 December
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	15,078,000	12,647,906	12,857,902	5,760,50	13,440,000	11,239,500	10,912,391	5,893,658
(ii) Rent	41,118,000	29,675,510	28,724,868	4,570,211	23,110,000	25,427,754	22,949,530	3,635,115
(iii) License Fees	2,041,500	1,665,024	1,666,024	64,775	2,163,350	,682,083	1,683,083	60,725
(iv) Other Revenue	224,343,000	277,054,531	234,747,197	84,110,622	169,595,850	148,313,467	170,669,237	41,601,297
Total	282,3580,500	321,042,971	277,995,991	94,512,258	208,309,200	186,662,804	206,214,241	51,190,795

## 2.2.2 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) According to the time analysis of the rates in arrears as at 31 December 2019 Rs.1,982,359 for 1-3 years , Rs.606,229 for 3-5 years, Rs.2,525,189 for 5-10 years and Rs.569,690 for over 10 years had been recoverable.	The methods of recovering rates should be made active.	Actions would be taken to recover the arrears income.
(b) Rates had been recoverable from 300 units of rates as at 31 December 2019 but notices for Forbidding Property had been issued only on 75 properties.	Actions should be taken to recover the recoverable balances.	Inform that actions would be taken to issued notices of forbidding property.

## 3. Operating Review

### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, public utility services and public thoroughfares, public comfort, convenience and welfare.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <b>By-Laws</b> By-laws had been imposed only 15 matters out of 30 main matters under Section 126 of the Pradeshiya Sabha Act No.126 as at 31 December 2019.	Necessary By-laws should be imposed.	Inform that we had embraced the by-laws approved by the provincial council on 15 matters.

- (b) **Action Plan**  
 An action plan had been made on 15 tasks that should be done according to the by-laws but the progress had not been submitted to the audit on that. The tasks that should be done should be entered in the action plan and the progress should be forwarded. Inform that actions would be taken to forward the progress for the year 2020.
- (d) **Public Complaints**  
 98 out of 435 Complaints received by the preceding year and 403 out of 519 Complaints received by the year under review had not been solved. The Public Complaints should be solved as soon as possible. The Problems had not been solved due to contacting with some other institute to solve the problems and not coming to a settlement between the plaintiff and the defendant and actions are being taken to solve them.
- (d) **Targets on Sustainable Development**  
 The primary steps had been taken to achieve the targets expected to accomplish between the years 2015-2030 and for that the consent had been given for a good transport system for the economic development and human development, making a silent environment, improving the good life of all the elderly persons by certifying a healthy life. The considerations should be given to accomplish the Sustainable Development targets. Agreed.

### 3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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<p>Actions had not been taken to recover the stall rent of Rs.58,138,360 from the stalls in the Commercial Complex near the Meerigama station from the whole amount of some stalls and half amount from 03 stalls.</p>	<p>Actions should be taken to recover the stall rent recoverable.</p>	<p>The Committee had decided to tender them again.</p>
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### 3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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- (a) **Employee vacancies**  
 Two posts of revenue inspectors since year 2006 and 201302 Montessori teacher posts since the year 2014, post of health Actions should be taken to fill up the vacancies. Actions are being taken to recruit for these vacancies in the future.

superintendent since the year 2012 and 07 field labour posts since the year 2017 had been vacant.

(b) **Employee Loans**

Loan balances of Rs.519,302 from 08 officers retired and deceased Rs.256,701 from 04 officers transferred, and Rs.263,115 from 13 officers suspended should be recovered.

Actions should be taken to recover and write off.

**3.4 Assets Management**

**3.4.1 Not Assuring the Protection of the Assets**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Actions had not been taken to acquire the deeds on 21 Lands and Buildings valued of Rs.2,085,182 according to the Fixed Assets Register.	Actions should be taken to acquire the Lands and Buildings.	Inform that actions are being taken to obtain the deeds for the Fixed Assets which had not obtained or acquire them.

**3.4.2 Idle and Underutilized Assets**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
A tractor purchased in the year 2007 for Rs.700,000, A Mahendra Cab purchased in the year 2008 for Rs.1,319,000, Backhoe Loader purchased in the year 2013 for Rs.4,999,500 and a boiler and a dumper had been parked in the Sabha and could not be used.	Actions should be taken according to the Circulars.	Actions would be taken to auction in the future.

**3.5 Procurement**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Institute that had been offered the tender to supply 23W CFL bulbs in the year 2019 had been rejected supplying bulbs after supplied 1000 bulbs because of not making an agreement.	Actions should be taken according to the Procurement Guidelines.	Inform that the actions would be taken to make an agreement with the institute which had been offered the tender.