

Madurawala Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 21 March 2014 while Financial Statements relating to the preceding year had been submitted on 22 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 14 September 2014.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Madurawala Pradeshiya Sabha as at 31 December 2013, its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard.

1.3 Comments on Financial Statements

1.3.1 Decrease in Net assets

Decrease in Net assets as compared with that for the preceding year is shown below.

	2013	2012
	Rs.	Rs.
Fixed Assets	35,536,592	35,071,625
Working Capital	18,960,612	22,557,568
Net Assets	54,497,204	57,629,193

1.3.2 Accounting Policies

Various accent balances given nominally when establishing the Madurawala Pradeshiya Sabha separating from the Bulathsinhala Pradeshiya Sabha during the year 2006, had been adjusted to the particular accounts. Those balances had been removed from those accounts during the year under review and had been taken to a separate account as Bulathsinhala Pradeshiya Sabha Account and effect on the balances of assets and liabilities due to that had not been disclosed in the accounts.

1.3.3 Accounts Receivable and Payable

Any installments of loan balances totalling Rs. 91,900 due from six employees who had vacated posts, deceased, imprisoned on court judgments and left on transfers had not been received over a period of 4 years.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.

Following Non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

Financial Regulation 1646	Although the original copy of the Monthly Performance Summary written on Form General 268 (a) should be sent to the Auditor General before 15 th of the subsequent month by the officer in charge of vehicles, monthly summaries of any Sabha vehicles had not been prepared.
(b.) Public Administration Circular No.41/90 dated 10 October 1990	Although the fuel consumption of pool vehicles should be tested once In 06 months, such tests had not been carried out.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 had been Rs. 3,192,306 as against the excess of revenue over expenditure amounted to Rs. 2,278,368 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,026	1,741	923
(ii)	Lease Rent	23	23	188
(iii)	Licence Fees	314	314	-
(iv)	Other Revenue	4,229	7,344	5,053

2.2.2 Rates and Acreage Tax

While a balance of Rates amounting to Rs. 682,683 from 1415 properties and a balance of Acreage Tax amounting to Rs. 5,626 from 15 properties were in arrears as at 31 December 2013, action had not been taken to recover those arrears up to 12 February 2014, date of audit.

2.2.3 Industrial and Business Tax

Action had not been taken to recover Industrial Tax in arrears from the year 2006 amounting to Rs. 29,770 from 42 business enterprises and Business tax in arrears amounting to Rs. 8,950 from 29 business enterprises, up to 12 February 2014, date of audit.

2.2.4 Tax on Land Sales

A sum of Rs.1, 031,560 had been recovered as 1 percent tax from 4 Land Sales during the year 2013. Although a tax equal to 1 percent of the sale proceeds should be recovered when a land is sold either blocking out or by auction in the area of authority, in terms of Clause 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, amounts recovered had been 1 percent of the estimated value of the land and action had not been taken at any time to recover 1 percent tax on the sales proceeds.

2.2.5 Court Fines and Stamp Fees

Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were as follows.

	Rs.
Court Fines	3,500,000
Stamp Fees	5,053,294

3. Operating Review

3.1 Contracts Administration

(a.) Production of Concrete Posts

Although 200 concrete posts had been made during the years 2012 and 2013 having spent Rs. 33,493 and 43,868 respectively, according to a Project resolved during the year 2011 to produce concrete posts to be sold and to be erected for the boundary fences of the burial grounds and common land belong to the Sabha, 160 posts out of those had been kept unutilized in the premises of the Sabah up to 19 February 2014.

(b.) Making Pageantry Plants and Flower Pots

Following observations are made with regard to the above Project commenced during the year 2011.

- (i.) Although the prior approval of the Minister should be obtained to involve in a Commercial and Industrial Enterprises by a Pradeshiya Sabha in terms of Paragraph XXIV of Clause 19 of the Pradeshiya Sabah Act No. 15 of 1987, action had not been taken to obtain such approval for the above Project commenced during the year 2011. Although approval had been requested later on 04 December 2012, the Commissioner of Local Government (W.P) had informed that it cannot be recommended for the approval of the Minister.
- (ii.) Although an expenditure amounting to Rs. 51,700 had been incurred for the above Project from the year 2011 up to 31 December 2013, anticipated profit had not been received as the total income had been Rs. 18,457.
- (iii.) As there was no Sales Center for marketing the Pageantry Plants and Flower Pots produced, 12 items of production valued at Rs. 14,161 and half completed and a stock of raw materials valued at Rs. 32,635 were in the Sabha premises even as at 18 February 2014.

(c.) Development of Nahalla Batawala Road laying Stone Blocks

It was observed at the physical inspection carried out on 19 February 2014 that stone blocks had been laid in the above road in 3 stages out of provision amounting to Rs. 500,000 received under Maga Neguma Provisions during the year 2013. Out of this 2 stages had been performed by the Sabha under the Maga Neguma Rural Roads Development Program.

Following observations are made in this connection.

- (i.) A Road Plan indicating the starting point and end of the section had not been put in the file to enable to identify specifically the sections to be developed by the Sabha.
- (ii.) Although it is required to mark the Project Number at the starting point and end of the relevant stage on the right side of the lump edge as per Maga Neguma Instruction No. 2013/03 dated 26 July 2013, such marking had not been done. The Technical Officer too found it difficult to identify specifically the sections performed by the Sabha.
- (iii.) Although the height of the lump edge on two sides of the road should be about 9-12 inches as per paragraph 5.1 of the Maga Neguma Instruction No. 2013/02 dated 05 May 2013 of the Additional Secretary (Development) to the Ministry of Harbor and High Ways, the height of the lump edge of the above road was 4 inches.

(d.) Construction of Nahalla Laulugahahena Road

The above road had been completed by spreading stone blocks at an expenditure of Rs.481,022 to the extent of 110 meters from the starting point of the above road during the year 2012 and at an expenditure of Rs.498,796 to the extent of final 112.5 meters during the year 2013 under the Maga Neguma Rural Roads Development Program.

Following observations are made in this connection.

- (i.) Although it is required to mark the Project Number at the starting point and the end of the final point of each stage, on the right side of the lump edge as per Maga Neguma Instruction No. 2013/03 dated 26 July 2013, such marking had not been done.
- (ii.) Although the height of the lump edge on two sides of the road should be about 9 -12 inches as per Paragraph 5.1 of the Maga Neguma Instruction No.2013/02 dated 05 May 2013 of the Additional Secretary (Development) to the Ministry of Harbor and High Ways, the height of the lump edge of this road was 5 inches.

3.2 Management Inefficiencies

Although a sum of Rs. 654,318 had been recovered by the Sabah on 14 September 2012 for tarring internal roads in a land of Acre I Roods 3 Perches 24 in extent, for which sub partition had been approved for auctioning, relevant money had been kept in the Deposits Account without commencing the Road Complex Work up to 12 February 2014 date of audit.

4. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Budgeting
- (iii.) Revenue Administration
- (iv.) Project Administration