

**Mawathagama Pradeshiya Sabha**

**Kurunegala District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 27 March 2013 and the financial statements for the preceding year had been presented on 26 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2013.

**1.2 Opinion**

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Mawathagama Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

**1.3 Comments on Financial Statements**

**1.3.1 Lack of Evidence for Audit**

Transactions totaling Rs.73,487,296 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

**1.3.2 Unsettled Accounts**

The following observations are made.

- (a.) A balance of Rs.1,716,098 due for over a long period as revenue in arrears in respect of concrete projects is being brought forward in the accounts.
- (b.) Although a loan balance of Rs.2,343,460 had been shown as purchase of vehicles under capital expenditure creditors, the creditors had not been specifically identified as at end of the year under review and the vehicles had not been purchased even as at the date of this report.
- (c.) Action had not been taken to settle the long existing balance of Rs.650,000 payable to the National Housing Development Authority under other creditors.

Further, 04 balances of deposits amounting to Rs.2,071,509 had been written-off through the accumulated fund during the year under review.

- (d.) A sum of Rs.25,000 given to the Employees Welfare Society of the Sabha as a grant is shown in the balance sheet as a loan recoverable for over a long period.
- (e.) Stamp fees receivable amounting to Rs.22,165,706 shown under revenue debtors included a balance of Rs.6,165,706 existed since year 2010 and prior years.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.761,446 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,416,592 for the preceding year.

### **2.2 Revenue Administration**

#### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,418	2,147	3,738
(ii.) Lease Rent	6,112	5,978	2,727
(iii.) Licence Fees	1,048	1,042	77
(iv.) Other Revenue	39,452	38,285	19,059

### **2.2.2 Rates and Taxes**

Billings relating to the year under review under 4,336 units of rates of the area of authority of the Sabha amounted to Rs.1,604,797 and the arrears of rates as at the end of the year under review amounted to Rs.3,302,177. Action had not been taken to recover the arrears in terms of Section 158 of the Pradeshiya Sabha Act No.15 of 1978 and provisions of Rules 31-42 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

### **2.2.3 Lease Rent**

- (a.) As at the end of the year under review, there were arrears amounting to Rs.314,820 in a range of 4-28 monthly installments in respect of the stalls given by the Sabha on long-term lease. Further, there was a balance of Rs.1,045,295 receivable since about ten years in respect of 06 properties leased out by the Sabha.
- (b.) The Sabha had given the stalls at the General Market of the Sabha to the Fisheries Corporation and the Bank of Ceylon on long-term lease and of this, stall No.32 given to the Fisheries Corporation had been taken back by the Sabha on 19 July 2010. However, this stall could not be leased out even up to the end of the year under review due to the difficulties in providing electricity. Further, the building given to the Bank of Ceylon could not be leased out for 10 months from 30 September 2011 to 01 August 2012 and therefore, the Sabha had deprived an income of Rs.252,000 (25,200×10) based on the lowest bid.

### **2.2.4 Trade Licence Fees**

There was a balance of arrears of trade licence fees amounting to Rs.77,500 as at end of the year under review that had been existed throughout the previous years.

### **2.2.5 Vehicle Parking Charges**

A by-law had not been passed with regard to parking vehicles within the area of authority of the Sabha. A survey on parking three wheelers available within the area of the Sabha

had not been carried out annually or periodically and the three wheelers in the area had not been registered or parking locations had not been fixed.

### **2.2.6 Court Fines and Stamp fees**

Court fines and stamp fees receivable respectively as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.528,875 and Rs.22,165,706.

### **2.3 Assets Management**

The following observations are made.

- (a.) A spot check carried out on 12 September 2012 in respect of the blocks of land vested with the Sabha for common amenities from the land Dangolla Watta at Meegolla to the extent of 05 Acres, 02 Roods, 07 Perches of which the block-out plan had been approved on 04 January 2011 revealed that the lot No.18 to the extent of 17.5 perches had been over grown without being put to use in a suitable manner and 07 out of 60 perches of the lot No.30 is a rocky area. Further, there are high-tension electricity wires over the lot No.22 and 23 of the Walawwatta, Henepola, Pilassa of which the block-out plan approved on 17 April 2012; but no reservation had been allowed for it.
- (b.) Although the Sabha owns land and buildings to the value of Rs.45,406,318 an annual survey had not been carried out on land and buildings in terms of provisions of Rule 218 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988. A survey had been carried out on assets valued at Rs.12,469,434; but the said assets had not been valued as per Board of Survey Reports.

### **2.4 Employees Loans Outstanding**

The balance of employees loans outstanding as at end of the year under review amounted to Rs.301,030 and it included employees loan balances amounting to Rs.292,530 remained outstanding for over 03 years.

## **2.5 Legal Matters Initiated Against or By the Sabha**

The following observations are made.

- (a.) A court case had been filed on 10 June 2008 under Case No.12144/M to recover the outstanding lease rent amounting to Rs.29,300 for the year 2006 in respect of the Beef Stall of the Mawathagama General Market and the case had been last called by the Court on 19 August 2011 and the Court had ordered the Sabha to inform the address of the respondent in order to deliver summonse. Nevertheless, the Sabha had not acted accordingly even by the date of audit examination and as such the case proceedings had been stuck.
- (b.) The Ayurvedic Doctor (female) of the Sabha had filed a case against the Sabha and some others under case No.SC(FR)137/2011 in respect of her transfer and case charges amounting to Rs.136,000 had been spent for this case from the Sabha funds.
- (c.) The Sabha had filed a case on 03 November 2012 under case No.7148 against the owner of a paddy mill as the mill is run in a manner poluting the environment.

## **2.6 Operating inefficiencies**

The following observations are made.

- (a.) The Sabha had not prepared a corporate plan or an action plan for the year under review. Further, an Audit and Management Committee had not been appointed, and an adequate internal audit also had not been carried out under an internal audit programme.
- (b.) Contributions payable to the Local Government Pension Fund had not been duly paid and the balance payable to the said fund as at end of the year under review amounted to Rs.3,253,344. Further the said Fund had recovered a monthly installment of Rs.9,710 and the Sabha was not aware that the officers to whom the recoveries are related to.

**2.7 Transactions Not Supported by Adequate Authority**

Eight account balances amounting to Rs.5,628,507 relating to water projects had been brought forward in the financial statements for over a long period without being settled and this had been written-off during the year under review. However a proper approval of the Commissioner of Local Government had not been obtained for writing-off arrears of revenue.

**2.8 Solid Waste Management**

The “Pilisar National Solid Waste Management Project” had made an allocation of Rs.6 million to the Sabha for the construction of a solid waste management center. According to the agreement entered into with the Central Environment Authority on 04 November 2011, the construction of the Project should be completed by 04 April 2011. A cost of Rs.2,650,223 only had been spent in respect of the Project as at end of the year under review and the Project had not been completed and the activities of the solid waste management had not been commenced. In addition to the above provision, the “Pilisar Project Unit” had given a compost machine on 05 September 2012 and a tractor on 23 October 2012.

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management