

Mahara Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 28 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 Mahara Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Stamp fees amounting to Rs.31,221,758 on land transfers had been brought to account as capital aid received and therefore, stamp fees income had been understated and the capital aid account had been overstated by a similar amount.
- (b.) Court fines amounting to Rs.4,194,825 received for the year 2007 and 2009 had been brought to account as salary reimbursements.
- (c.) The closing stock of Ayurvedic drugs amounting to Rs.359,478 as at end of the year under review had not been included in the stock balance.
- (d.) Members allowances amounting to Rs.947,000 and salary reimbursements amounting to Rs.2,350,000 credited to the Bank through remittances in the month of December 2012 had been show in the accounts as debtors.
- (e.) According to the information obtained from the Uruwal Peruwa Office, 10 units of land and buildings valued at Rs.1,789,183 had not been accounted under fixed assets.

- (f.) A land to the extent of 20 Perches received as a donation and 07 units of lands received for common amenities had not been assessed and brought to account.
- (g.) According to the schedules submitted for land and buildings account of the Naranwala and Mahara Sub-offices, 11 plots of land valued at Rs.20,346,925 had been entered twice.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.3,092,383 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.3 Unreconciled Control Accounts

The total of the balances of 09 items of accounts amounted to Rs.137,182,533 as per accounts and the total of the balances as per relevant schedules/ reports amounted to Rs.93,221,510 thus , indicating a difference of Rs.43,961,023.

1.3.4 Unexplained Difference

Stock of general stores in hand as at end of the year under review as per accounts was Rs.4,512,086 whereas the stock in hand according to the stores ledger was Rs.3,864,914. Reasons for the difference of Rs.647,172 were not explained.

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.2,164,216 as against the excess of recurrent expenditure over revenue amounting to Rs.34,625,413 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 in respect of the year under review as presented by the Chairman is shown 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	5,436	5,041	10,429
(ii.) Lease Rent	1,911	1,485	1,947
(iii.) Licence Fees	550	550	153

2.2.2 Rates ad Taxes in Arrears

Rates and taxes in arrears as at 31 December 2012 amounted to Rs.10,016,836 and this included balances in arrears over Rs.10,000 totaling Rs.1,270,993 relating to the Mahara Sub-office. This included balances due for over 20 years. Further, rates and taxes in arrears over Rs.5,000 relating to the Naranwala Sub-office amounted to Rs.775,357. Action had not been taken to recover these balances due.

2.2.3 Stamp Fees

According to Circular No.බප/ආදා/කො/පොදු(1) dated 13 January 2011 of the Commissioner of Revenue, Western Province; stamp fees should be claimed within 03 years from 31 December of the year in which the stamp fees recovered. However, action had not been taken to collect fees from Land Registrar's Offices; Negombo and Kaluthara for over a long period and stamp fees had not been collected from the Land Registrar's Office, Colombo from January 2011 to 09 may 2013; the date of audit examination.

2.2.4 Court Fines

Action had not been taken to recover court fines recoverable from the Court Offices, Attanagalla and Gampaha from January 2011 to 31 December 2012.

2.3 Operating Inefficiencies

- (a.) Title deeds had not been obtained for lands vested with the Sabha for common amenities and lands received from other institutions in respect of 16 instances.
- (b.) The Sabha had approved the sub-division plan of 03 Acres 01 Rood 4.59 Perches under Plan No.4641 of the Prime Land Auction in the Naranwala Sub-office area eventhough 10% of the land had not been allocated for common activities.

2.4 Idle and Underutilized Assets

A survey of Uruwal Peruwa lands revealed that 12 lands for common amenities and 06 bathing wells owned by the Sabha had not been used for any purpose and had been overgrown.

2.5 Contract Administration

The following observations are made.

Delayed Projects

- (a.) The estimate for Rs.1,000,000 in respect of construction of a public playground at Buthpitiya through Gama Neguma, One Work for One Village Project under Western Province Development (Special) Programme; had been approved on 09 July 2012. Accordingly an advance of Rs.195,904 being 20% of the estimated amount had been received from the Divisional Secretary, Mahara on 13 September 2012. However, agreements had not been signed and the project had not been commenced even by 02 may 2013 and therefore, the Project had been discontinued for the year 2013.
- (b.) A sum of Rs.490,000 had been approved in year 2012 for construction of a Community Hall at Buthpitiya under the Western Province Development (Special) Programme. This Project had been continued to year 2013 by letter dated 01 April 2013 of the Chief Secretary of the Western Province. According to the letter, all the payments should be done before 30 April 2013. But, the Project activities had not been commenced even by 02 May 2013.

3. Systems and Controls

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

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