

Mawathagama Pradeshiya Sabha

Kurunegala District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 26 March 2011 and the financial statements for the preceding year had been presented on 29 March 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 12 September 2012.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Mawathagama Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Mawathagama Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year than ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs. 1,214,031 had been received as a 20% advance for construction of Polyester National Solid Waste Management Project building and the infrastructure development under the Polyester Project of

Central Environmental Authority had not been spent for the said project during the year under review. But that value had not been accounted for as creditors.

- (b) A sum of Rs. 997,198 receivable and payable as at end of the year under review for 02 works under Mayaneguma project and a sum of Rs. 4,296,696 receivable and payable as at end of the year under review for 12 continuation works under Game – neguma had not been shown in the accounts for the year under review.

1.3.2 Lack of Evidence for Audit

Non – Submission of Information for Audit

Transactions totalling Rs. 10,016,329 could not be satisfactorily vouched in audit due to the non - submission of required information to audit.

2. Financial and Operating Review

2:1 Financial Result

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.2,416,591 as compared with the excess of revenue over recurrent expenditure amounting to Rs.621,830 for the preceding year.

2:2 Financial Control

The following deficiencies of financial control were observed.

- (a) A sum of Rs. 185,000 received from the Employees Provident fund in 02 instances, a sum of Rs. 190,000 received by the Sabha for various purposes in 04 instances and a sum of Rs. 48,090 payable as salaries in 05 instances had not been used for the intended purposes and had kept in the general deposits account until the end of the year under review.

- (b) The water division controlled by the Sabha had been handed over to the Water Supply and Drainage Board at the beginning of the year 2011 and a sum of Rs. 1,119,540 receivable under 05 items of accounts and a sum of Rs. 800,436 payable under 03 items of accounts prevailed at the time of handing over had been shown in the accounts without being settled even as at end of the year under review. Similarly, balances of deposits totalling Rs. 5,182,440 existed under 5 categories of deposits relating to the water division had remained for over a long period had not been settled and shown in the accounts for the year under review.
- (c) Debit balances amounting to Rs. 1,928,297 existed under 04 items of accounts for a long period and credit balances amounting to Rs. 19,855 existed under 03 items of accounts for a long period had not been settled and shown in the accounts for the year under review.
- (d) Although 03 year had lapsed after completion of the concrete project conducted by the Sabha, a debit balance of Rs. 17,292 outstanding had remained unsettled even as at end of the year under review. The closing stock of Rs. 282,239 as at end of the year under review included a stock of water works stores items valued at Rs. 74,568 and balance of finished concert stock of Rs.31,420 . The cash balance of Rs. 48,455 remained in 04 dormant bank current account since the time of Development Councils had not been settled even as at end of the year under review.
- (e) There were 43 cheques valued at Rs. 242,822 issued but not presented for payment in relation to 02 bank accounts.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year 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	1,734	1,442	4,197
(ii) Lease Rents	3,181	3,380	1,503
(iii) Licence Fees	1,000	924	94
(iv) Other Revenue	57	47	1,052

2.3.2 Court Fines and Stamp Fees

Court fines receivable from the Chief Secretary and other authorities of the Provincial Council as at 31 December 2011 amounted to Rs. 1,061,850

2.3.3 Trade Stall Rent

The following observations are made.

- (a) Trade stall rent amounting to Rs. 545,246 had been outstanding as at end of the year under review. This amount included a sum of Rs. 25,396 due for 05 pavement boutiques at a monthly rent of Rs. 92 that had been for a time range of 01 to 10 years, a sum of Rs. 375,967 due for 17 out of 42 stalls at the general Market that had been outstanding for a time range of 09 months to 04 years and a sum of Rs. 30,313 in respect of 09 properties owned by the Sabha relating to the period 1982-1986. However, action had not been taken to recover these dues.

- (b) The Sabha had failed to lease out 14 properties owned by the Sabha since year 2010 although the lowest bid of which was Rs. 18,341 as there had been no buyers. The details of the sum of Rs. 397,051 shown in the Register of Revenue from property as an outstanding amount existed since year 1987 could not be identified and action had also not been taken on the above.

2.3.4 Lease Rent

Lease rent amounting to Rs. 1,008,967 had been due from a cinema hall since 1989.

2.3.5 Bus Stand Charges

A sum of Rs. 54,940 had been due as bus stand charges since prior to 2004.

2.3.6 Trade Licence Fees

Trade licence fees amounting to Rs. 84,500 had been outstanding as at end of the year under review and it had been stated that it had been occurred due to billing the budgeted trade licence fees as revenue prior to a few years.

2.4 Transactions not Supported by Adequate Authority

A stock of concrete raw materials valued at Rs. 28,040 existed for a long period had been written – off by Journal Entry No. 79 during the year under review without proper authority.

2.5 Irregular Transactions

Selling of the land called “Tristar Garment” at Mawathagama after block-out the land had been in process selling during the year under review. According to Section 16(1) of the By-law published in the Gazette No. 1317 dated 28 November 2003, the institutions and persons engage in improvement of housing

and property and block-out the lands within the limits of the administrative area of the North Western Province should get registered in the North Western Provincial Council. But the above institution had not complied with this requirement and tax amounting to Rs. 200,500 had been due to the Sabha as at end of the year under review. The Chairman reported me in January 2012 that legal action will be taken to recover the amount due.

2.6 Human Resources Management

The following observations are made.

- (a) The post of the Secretary of the Sabha had been vacant by the year under review and an officer of the Local Government Service had covered up the duties. The 02 Librarian post approved for the Sabha had been vacant as at end of the year under review. Although the approved No of Library Assistant posts were 02, 07 persons had been employed for the same. There were 12 vacancies under 08 various posts as at end of the year under review and 04 employees had been assigned with duties other than the duties of the posts they had been recruited for.
- (b) The approved cadre under the posts of Labourer, Watcher and Driver was 36 and only 31 had been employed as at end of the year under review. But, 21 had been employed on casual/ substitute basis for the above posts as at end of the year under review on the basis of payment of salaries from the Sabha fund.
- (c) Out of the 52 substitute employees recruited on the basis of payment of salaries from the Sabha, appointment letters had been issued to 15 employees. Although 03 persons had been employed for the 02 posts of Road Labourers Supervisor and Bus Stand Keeper, approval of the Department of Management services had not been obtained. Although the

Crematorium Operator post and Crematorium Labourer post had been approved by the Management Service Department during the year under review, but recruitments had not been done for the relevant posts and the duties had been get done by two labourers of the Sabha.

2.7 Employees Loans

The loan balance of Rs. 13,380 related to a Road Labourer died in 2008 had not been settled even as at end of the year under review. A sum of Rs. 38,687 out of the loans given to 19 of the daily paid staff served in the Sabha during 2010 and 2011 could not have been recovered as they had not reported for service. Although the Water Project owned by the Sabha had been vested with the Water supply and Drainage Board along with its officers during the year under review, the loan balance amounting to Rs. 93,750 due from 02 employees of the water unit had not been settled even as at end of the year under review.

2.8 Operating Insufficiencies

The following observations are made.

- (a) The contributions payable to the Local Government Pensions Fund by the Sabha in respect of the employees retired from the service of the Sabha had not been properly paid. Therefore, the balance payable to the said fund as at end of the year under review amounted to Rs. 3,134,064.
- (b) Although it had been scheduled to made available 71 categories of items for the condemned goods auction held on 28 June 2010, 57 units under 8 categories of items had not been made available for the auction. These goods had not been available in the stores itself and the value of the said items could not be identified. The Chairman informed me in January 2012 that the Commissioner of Local Government would be hold an enquiry

only on the cement blocks machine valued at Rs.39,660 included in the above.

- (c) A cab owned by the Sabha handed over to the Army in 1995 had been returned back to the Sabha in 20 September 2006. The value of this vehicle had been fixed at Rs. 115,000 by letter No. 12/1/පපා/වපාද/07 dated 07 May 2007 of the commissioner of Local Ggovernment, North – Western Province and the Chief Secretary of the tern province had informed the Sabha to change the ownership of the vehicle on 13 December 2007 But, action had not been taken to vested the ownership with the Sabha and to auction the vehicle even up to the end of the year under review and the vehicle had been parked in the Sabha premises uncertainty.
- (d) A corporate plan for the institute and an action plan for the year under review had not been prepared.

2.9 Internal Audit

An adequate internal audit of the institution had not been carried out by the Sabha.

3 Systems and Controls

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

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