

Mahawa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1. Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 15 June 2015 while Financial Statements relating to the preceding year had been submitted on 09 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 25 August 2015.

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 Mahawa Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector accounting standards of Sri Lanka.

1.3. Comments on Financial Statements

1.3.1. Accounting Deficiencies

Following Accounting Deficiencies are observed.

- (a) The sum of Rs. 350,000 received direct to the bank on 31 December 2014 through hiring out the Road Roller had been shown as Debtors in the Balance Sheet.

- (b) The Cab Vehicle No. PF-4508 valued at Rs. 7,550,000 and the Tractor and Trailer No. RD-8238 valued at Rs. 1,300,000 had not been included in the Motor Vehicles and Carts Account.

1.3.2. Unreconciled Control Accounts

Non-reconciliations in a sum of Rs. 20,003,455 were observed between the accounts and relevant registers relating to 04 items of accounts under final balances of the year under review.

1.3.3 Lack of Evidence for Audit

A detailed examination could not be made with regard to transactions totaling Rs1,092,000 due to non-submission of required information to audit.

2. Financial Review

2.1. Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabah for the year ended 31 December 2014 had been Rs. 1,208,661 as against the excess of revenue over recurrent expenditure amounted to Rs. 4,165,912 in the preceding year indicating a decline of Rs. 5,374,573 in the financial result. When Capital Grants of Rs.98,159,141 and Capital Expenditure of Rs. 90,750,925 are adjusted to this operational result, financial result relevant to the year under review had become a surplus of Rs. 6,199,555.

2.2. Analytical Financial Review

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.63,566,000 relevant to the year under review, a sum of Rs. 45,618,000 as 72% was consisting revenue not falling under a nature generated in the Sabha such as Court Fines, Stamp Fees and Salary Reimbursements. Similarly, the entire Capital Revenue of Rs. 98,159,000 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
- (b) Out of the total Recurrent Expenditure of Rs. 64,775,000 relevant to the year under review, a sum of Rs. 41,087,000 as 63% approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 22,582,033 as 55% approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Other Revenue. Similarly, Out of the Capital Expenditure of Rs. 90,751,000, a sum of Rs. 3,354,522 as 4% only had been spent from the Sabha Fund, while the balance 96% amounting to Rs.87,396,478 were development works performed out of the provisions of other institutions such as Gama Neguma and Maga Neguma.

2.3. Revenue Administration

2.3.1. Rates

While Rates in Arrears as at 31 end of the year under review was Rs.2,115,840,procedure had not been followed in terms of the Pradeshiya Sabha (Financial and Administrative) Rules 32 to 42 of 1988 for the recovery, having prepared list of arrears on quarterly basis and issued relevant notices to seize properties.

2.3.2. Transmission Tower Business Taxes

Wile 27 Telephone Transmission Towers had been erected in the area of authority of the Sabha action had not been taken to recover a minimum tax of Rs. 81,000 that could be recovered.

2.3.3. Certificates of Conformity Revenue

A Revenue of Rs. 194,400 had been lost to the Sabha due to non-issue of Certificates of Conformity for constructions made on Development Permits.

2.3.4. Environmental Permits Revenue

A Revenue of Rs.59,500 had been lost to the Sabha due to carrying on businesses without obtaining Environmental Permits in the area of authority of the Sabha.

2.3.5. Water Revenue

Water Charges in Arrears amounting to Rs. 465,431 were due from 241 water consumers in the area of authority of the Sabha as at 31 December 2014.

3. Operating Review

3.1. Management Inefficiencies

- (a) While the Backhoe Machine had been provided to the Roads Development Authority without an agreement since the year 2009, income received had decreased by Rs.517,440 when compared with that for the year 2013.
- (b) Action had not been taken to recover Staff Loans amounting to Rs. 65,037 due from 11 officers who had left on transfers and vacated service as at the end of the year under review.

- (c) While the value of 187 Cemetery Grounds belong to the Sabha had not been accounted, relevant ownership deeds were not available in the Sabha with regard 67 Cemetery Grounds out of those.

3.2. Idle Assets

Forty Concrete Blocks received number of years ago for the Ambanpola Concrete Project had been withheld in the Sabha Ground without being used.

4. Systems and Controls

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

- a) Accounting
- b) Revenue Administration
- c) Assets Management
- d) Contracts Control