

Mawanella Pradeshiya Sabha
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 10 March 2015 while Financial Statements relating to the preceding year had been submitted on 14 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 22 June 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 Mawanella Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Public sector accounting Standard of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Staff Allowance Payable for collection of Stamp Fees relevant to the year under review had been underprovided in a sum of Rs. 65,575.

- (b) Although a sum of Rs.. 610,821 was payable for Works according to the Pradeshiya Sabha Deposits Register as at the end of the year under review, a cash balance of Rs. 576,835 only was available in the Pradeshiya Sabha Cash Account. Accordingly necessary adjustments for Rs 33,986 had not been made having looked into that.

- (c) A sum of Rs. 19,400 received for two Works under Decentralized Budget Program during the year under review had been accounted as Rs. 194,000 under Capital Grants and Capital Expenditure, overstating a sum of Rs. 174,600 in the accounts.
- (d) Although provisions received under various funds during the year under review had been accounted as Capital Grants and Capital Expenditure, a sum of Rs. 60,223,668 payable to the contractors and amounts receivable from Funds as at the date of ending of the year under review had not been accounted as Creditors and Debtors.
- (e) When getting back the sum of Rs. 474,806 transferred from the Environmental Authority Account to the Staff Loans Account during the year under review, that amount had been credited to the Accumulated Fund Account instead crediting it to the Environmental Authority Account.
- (f) The Tractor and the Trailer valued at Rs. 3,480,000 assigned to the Sabha from the Provincial Council during the year under review had not been accounted.
- (g) Library Books valued at Rs. 60,000 received from the Local Government Department and purchased through the General Deposits Account during the year under review had not been capitalized.
- (h) The value of the Chain Saw received from the Emergency Distress Management Unit of the District Secretariat during the year under review had not been worked out and accounted.
- (i) The value of 568 Galvanized Flag Posts amounting to Rs. 628,857 received from the Divineguma Department during the year under review had not been accounted.

1.3.2 Non-reconciled Control Accounts

While the balance relevant to 04 items of accounts according to financial statements was Rs. 27,377,614, according to the schedules it had been Rs. 27,552,369. Accordingly, the difference not reconciled was Rs. 174,755.

1.3.3 Accounts Receivable and Payable

There was a total balance of Rs. 6,818,750 as Accounts Receivable since the year 1999 and a total balance of Rs. 20,511,417 Accounts Payable since the year 1980 as at the end of the year under review.

1.3.6 Non-compliance with Laws, Rules and Regulations

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

**Reference to Laws, Rules,
Regulations and Management
Decisions**

(a.) **Financial Regulations of the Republic
of Sri Lanka**

(i.) F. R.570 (d)

Non-compliance

- Action in terms of Financial Regulation had not been with regard to Work Deposits totalling Rs. 269,989 deposited during the period from the year 2007 to 2012 and Miscellaneous Deposits totalling Rs. 561,078 which had elapsed 03 years as at 31 December 2014.

- (ii.) F.R. 105 (c) - Action had not been taken to get back 169 Library Books valued at Rs. 26,337 issued outside and not returned during a long period.
- (b.) Provincial Financial Rules Code of the Sabaragamuwa Province Rule 261.2.2 - Advances totalling Rs. 46,942 granted to two officers had not been settled although 01 year and 10 months had elapsed.
- (c.) Circular No. 3/2012 dated 29 May 2012 of the Commissioner of Local Government - While Fuel Allowance totalling Rs.2,205,000 granted as fuel advances to Members including the Chairman during the years 2012, 2013 and 2014 were not confirmed those were particularly connected with the Sabha duties, action too had not been taken to get settled the advances.

2. **Financial Review**

2.1 **Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs. 23,521,628 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 23,881,817 indicating a decline of Rs.360,189 in the financial results.

2.2 **Analytical Financial Review**

Decrease in 02 Revenue Items and increase in 06 Expenditure Items had mainly affected the decline of financial results in a sum of Rs. 360,189.

2.3 Revenue Administration

2.3.1 Performance of Collection of Revenue

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

Source of Revenue	Arrears as at 01.01.2014	Recoveries out of Arrears as at 31.12.2014	Billings during the year	Recoveries out of billings for the year	Recoveries out of arrears as at 01.01.2014	Out of billings for the year	Total Arrears
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	15,715	7,468	11,773	4,723	8,247	7,050	15,297
(ii) Lease Rent	1,850	52	18,634	18,517	1,798	117	1,915
(iii) Licence Fees	156	25	1,086	1,057	131	11	142
(iv) Other Revenue	54,087	51,033	54,921	31,401	3,054	23,519	26,573

2.3.2 Transmission Tower Revenue

Action had not been taken to collect a Revenue totalling Rs. 518,000 as a sum of Rs. 446,000 due to non-issue of Development Permits for 09 Telephone Transmission Towers and 10 other transmissions constructed in the area of authority of the Sabha, a sum of Rs. 42,000 due to non-issue of Certificates of Conformity and a sum of Rs. 30,000 due to non-recovery of Business Tax.

2.3.3 Lease Rent

A Revenue totalling Rs. 452,875 had been lost due failure in taking action to recover the lease money monthly, relevant to beef stalls and fish stalls in the Public Market for the years 2002, 2003 and 2005.

2.3.4 License Fees

Following matters are observed.

- (a) Action had not been taken to survey the business entities carrying on in the area of authority of the Sabha annually and recover License Fees. When issuing

licenses for the business entities carried on in the area of authority of the Sabha a total sum Rs.127,950 from 238 premises during the years 2002, 2003 and 2004, a sum of Rs. 13,750 from 09 premises during the year 2013 a sum of Rs. 62,100 from 87 premises during the year 2014, all totalling to Rs. 203,800 had not been recovered.

- (b) Although orders had been given to the two Revenue Inspectors to recover arrear of License Fees of the business premises in operation in the area of authority of the Sabha and to take legal steps with regard to defaulters of payments, action had not been taken to comply with that order even up to 06 April 2015.

2.3.5 Court Fines and Stamp Fees

Court Fines amounting to Rs. 1,715,250 and Stamp Fees amounting to Rs.16,789,058 were due to be received from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Out of the sum of s. 3,000,000 received from the Ministry of Local Government under the Pradeshiya Sabha Strengthening Program during the year under review in three instances, a sum of Rs. 651,448 being 21.72 % had been spent at the end of the year under review and a sum of Rs.1,019,068 or 33.97% being the total expenditure only had been incurred as 27 March 2015.
- (b) A sum of Rs. 116,400 had been spent for construction of glass compartments in the temporary obtained building on a lease agreement during the period of construction of the new Pradeshiya Building and it had been capitalized. Although the office had been opened in the new building during the year 2011, constructions made in the building obtained on lease had not been removed even up to date of audit on 30 March 2015.

- (c) Action had not been taken to transfer the Tractor and Trailer valued at Rs. 1,425,000 received from the Sabaragamuwa Chief Ministry during March 2012, the Tractor with Gully Bowser valued at Rs. 2,900,000 and the Tractor and Trailer valued at Rs. 1,876,000 received during December 2014 in favor of the name of the Pradeshiya Sabha.
- (d) Construction works of the first floor and the second floor of the Hemmathagama Trade Complex had not been finalized and had not been given to the individuals from whom lump sum monies were obtained. Due to that, it had not been possible to recover a sum of Rs. 1,607,774 as Rs. 1,356,524 from 5 stalls in the first floor and a sum of Rs. 251,250 from 2 stalls in the second floor.sine 2002
- (e) Although the approval of building plans and deeds and granting development permits with regard to constructions to be made in the area of authority should be approved through a committee consist of an officer representing the Government Institutions such as Urban Development Authority, Environmental Authority, Buildings Research Institute, Pradeshiya Sabha and a Public Health Inspector, approval of deeds and building plans had been made at the discretion of the Chairman in 5 days during the years 2013 and 2014.
- (f) Out of the 568 Galvanized Flag Posts valued at Rs. 628,857 received from the Divinagama Development Department on 17 November 2014, although 206 Flag Posts were available in the office premises as at the date of audit on 24 March 2015, and 128 Flag Posts had been issued to outside individuals, those had not been entered in the stock books. The balance 234 Flag Posts had been misplaced.
- (g) Action had not been taken to enter 04 Items of Fixed Assets valued at Rs 12,794,997 received to the Sabha from outside institutions in the Register of Assets.

3.2 Idle and Under-utilized Assets

Following matters are observed.

- (a) Value of 02 Bank Accounts remained dormant for more than 02 years as at date of ending of the year under review was Rs. 15,693.
- (b) The Cab Vehicle bearing No. 53-5643 valued at Rs. 625,000 shown under Motor Vehicles and Carts as at 31 December 2014 had been parked near the Mawanella Children's Park after meeting with an accident, opened to natural damages sine 2009
- (c) The Tar Boiler valued at Rs. 70,000 and the Vibrating Roller valued at Rs. 485,000 shown under Machinery and Equipment as at 31 December 2014 had been kept in the Compost Yard opened to natural damages.

3.3 Environmental Problems

A Health Secured Scheme had not been introduced for disposal of excrete materials brought in the Gully Bowser.

4. Accountability and Good Governance

4.1 Budgetary Control

Following matters are observed.

- (a) Out of the provisions made available in the Budget furnished for the year under review, a total provision of Rs. 12,524,000 being 100% provisions for 05 items of work and out of the total of provisions for 13 items of work amounting to 8,783,970, provisions between 52% and 99% totalling all to Rs. 21,307,970 had not been utilized for the Sabha activities.
- (b) A sum of Rs. 408,980 had been spent in excess of the approved estimates for 02 items of expenditure.

- (c) The estimated revenue under 02 Revenue Heads for Rs. 12,100,000 had not been earned. Recover 50% to 99% of the estimated revenue totalling Rs. 1,419,268 under 7 Revenue Heads.
- (d) Under the above circumstances, it is observed that the Budget had not been made use of as an effective tool of financial management.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Control over Creditors