

## **Mawathagama 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 25 March 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 13 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 Mawathagama Pradeshiya Sabha as 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**

- (a) Expenditure amounting to Rs. 227,901 relevant to past years had been accounted as expenditure of the year under review.
- (b) Charges for registration of suppliers in respect of the year 2015 amounting to Rs.120,848 incurred during the year under review had been taken to expenditure for the year without accounting under Pre-payments.
- (c) Stock value of works materials amounting to Rs. 92,115 to be debited to Stores Advance Account as stores advances during the year under review had been credited to the Accumulated Fund. Due to that, value of Works Stock at the end of the year under review had been understated to that extent.
- (d) Capital Grants of Rs. 3,000,000 received for Pradeshiya Sabha Strengthening Programmes had been accounted under Recurrent Revenue while the relevant expenditure had been accounted under Capital Expenditure.

- (e) While the value of ambulance amounting to Rs. 3,000,000 received as donations had not been accounted, legal ownership of the vehicle too had not been vested in the Sabha.

### **1.3.2. Contingent Liabilities**

The Contributions Payable to the Pension Fund on behalf of the employees retired after serving the Sabha had not been made properly. Due to that, the balance payable to that Fund as at the end of the year under review had been Rs. 3,482,517.

### **1.3.3. Unreconciled Control Accounts**

Non-reconciliations in a sum of Rs. 7,304,776 were observed between the accounts and relevant registers relating to 08 items of accounts under final balances of the year under review.

### **1.3.4. Accounts Receivable and Payable**

- (a) Value of Accounts Receivable as 31 December 2014 was Rs. 39,784,269. Out of those a sum of Rs. 4,348,006 as 11% was balances being brought over a period of more than 3 years.
- (b) A sum of Rs. 25,000 paid a number of years ago to the Welfare Association of the Sabha had been shown under Utility Services.
- (c) A sum of Rs. 343,516 being the balance of the Concrete Project and a sum of Rs.54,940 being Bus Stand Charges brought forward over a long period had been included in the Debtors Balance.

### **1.3.5. Lack of Evidence for Audit**

A detailed examination could not be made with regard to transactions totaling Rs.17,162,369 due to non-submission of required information to audit.

## **2. Financial Review**

### **2.1. Financial Results**

According to the Financial Statements presented, operational surplus of the Sabah for the year ended 31 December 2014 had been Rs.2,865,594 as against the operational deficit amounted to Rs.3,336,192 in the preceding year indicating an improvement of Rs.6,201,786 in the operational result. When Capital Grants of Rs.16,338,569 and Capital Expenditure of Rs.19,449,701 are adjusted to this operational result, financial result relevant to the year under review had become a deficit of Rs. 245,538.

### **2.2. Analytical Financial Review**

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.71,256,302 relevant to the year under review, a sum of Rs. 61,619,335 as 86% 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. 16,338,569 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. 68,390,708 relevant to the year under review, a sum of Rs. 45,447,891 as 66% approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 36,586,598 as 80% approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Other Revenue. Out of the Capital Expenditure of Rs. 19,449,701, a sum of Rs. 5,673,419 as 29% only had been spent from the Sabha Fund, while the balance 71% amounting to Rs. 13,776,282 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 the Arrears of rates as at the end of the year under review mounted to Rs.3,828,086, annual billings had been Rs. 1,576,221. Similarly, Rates amounting to Rs. 218,110 were outstanding to be recovered from Government Institutions.

### **2.3.2. Lease Rent**

While Lease Rent in Arrears as at the end of the year under review had been Rs.1,038,498, an arrears balance of Rs.425,090 brought forward from the year 2007 was included therein. The Sabha had not taken action to ascertain information relating to that balance to recover that amount.

### **2.3.3. Court Fines and Stamp Fees**

Court Fines amounting to Rs. 504,520 and Stamp Fees amounting to Rs. 8,500,000 were receivable from the Chief Secretary to the Provincial Council as at the end of the year under review.

## **3. Operating Review**

### **3.1. Management Inefficiencies**

Following observations are made.

- (a) Tax Money amounting to Rs.627,880 which should be remitted to the Commissioner General of Inland Revenue relevant to the years 2013 and 2014 by the Sabha had not been remitted even up to the end of the year under review.
- (b) A sum of Rs. 163,452 had been paid as surcharges to the Employees Provident Fund and to the Employees Trust Fund by the Sabha due to non-payment of contributions during the year 2014 to be remitted to the funds.
- (c) While bank Current Account No.4215263, No.4215466 and No.5506 had been dormant over a number of years, balances amounting to Rs.12,687, Rs.4,014 and Rs.93,448 were in those accounts respectively.
- (d) A sum of Rs.17,292 relevant to the Machinery and Equipment Project and a sum of Rs.264,779 relevant to the Water Project and a sum of Rs. 35,350 relevant to persons vacated service were outstanding as loan balances in arrears as at the end of the year under review.

## **4. Systems and Control**

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

- a) Accounting
- b) Budgetary Controls
- c) Revenue Administration
- d) Assets Management
- e) Vehicles Control
- f) Human Resources Management