

Mawanella Pradeshiya Sabha

Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 10 March 2016 and the financial statements for the preceding year had been presented on 10 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 31 May 2016.

1.2 Opinion

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Mawanella Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters are observed.

- (a) An over provision of Rs.46,392 had been made under creditors in respect of 4 works as at end of the year under review. As a result, the surplus of the year under review had been understated by Rs.46,392 and the provision for creditors as at 31 December 2015 had been overstated by a similar amount.
- (b) The trailer valued at Rs.90,100 and bearing No. 46-8326 noted in the register of fixed assets had not been accounted under fixed assets. As a result, the fixed assets and the Revenue Contributions to Outlay Account had been understated by similar amounts.
- (c) The total commission received on purchasing library books in 2014 and 2015 amounting to Rs.103,157 had been debited and credited to the Expenditure and the Revenue Control Account respectively of the year under review.
- (d) Provision had not been made under the creditors for the arrears of water charges of Rs.256,069 of April 2014 in respect of the public lavatory of the Children's Park.

1.3.2 **Unreconciled Control Accounts**

According to the financial statements as at end of the year under review, the balance of the Employees' Loans Account amounted to Rs.9,540,221 and the balance amounted Rs.9,457,115 as per subsidiary registers/reports resulting in a difference of Rs.83,106.

1.3.3 **Accounts Receivable and Payable**

(a) The balances of accounts receivable as at end of the year under review amounted to Rs.63,572,934. Of this, a sum of Rs.10,847,237 were balances of over one year.

(b) The balances of accounts payable as at end of the year under review amounted to Rs.51,296,801. Of this, a sum of Rs.15,885,000 were balances of over one year.

2. **Financial 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 2015 amounted to Rs.30,295,596 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.23,521,628 showing an improvement in financial results of the year under review amounting to Rs.6,773,968.

2.2 **Analytical Financial Review**

Increase in 05 items of revenue and the decrease in 04 items of expenditure had mainly attributed to the improvement in financial results amounting to Rs.6,773,968.

2.3 **Revenue Administration**

2.3.1 **Performance in Collection of Revenue**

The information relating to revenue billed, actual revenue and the arrears of revenue, as presented by the Secretary appear below.

Source of Revenue	<u>Arrears as at 31 December 2015</u>						
	Arrears as at 01 January 2015	Recoveries out of the arrears as at 31.12.2015	Amount billed for 2015	Recoveries out of the amount billed for the year	Arrears as at 01 January 2015	Arrears out of the amount billed for the year	Total Arrears
Rs.	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	15,286	7,156	11,757	6,009	8,130	5,748	13,878
(ii) Lease Rent	1,874	146	15,910	15,895	1,728	15	1,743
(iii) Licence Fee	177	51	1,400	1,400	126	-	126
(iv) Other Revenue	33,278	27,255	82,810	42,662	6,023	40,148	46,171

The following differences were observed while comparing the above information of revenue with the financial statements.

Source of Revenue	Balance as per information relating to arrears of revenue	Balance as per financial statements	Difference
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	Rs'000	Rs'000	Rs'000
Rates and Taxes	13,878	13,715	163
Other Revenue	46,171	48,428	2,257

2.3.2 Lease Rent

Action had not been taken to recover the total arrears of Rs.1,081,031 from 18 beef stalls and 3 fish stalls for the period 2002 to 2013.

2.3.3 Notice Board Charges

According to the register of notice boards, charges had been recovered for 34 Notice boards alone. However, it was observed at a physical verification carried out on 3 November 2015 that 52 permanent notice boards of extensive sizes were in existence from the Sabha to Colombo-Kandy Road upto Kadugannawa. Action had not been taken to carry out a survey in this connection so as to recover charges.

2.3.4 **Licence Fees**

The following matters are observed

- (a) According to the 1988 Pradeshiya Sabha (Finance and Administration) Rule No.59 and Rule No.61, a survey of trade licences and professions should be carried out at the commencement of each year and a register should be prepared so as to recover taxes according to the register. However, particulars of the type of industry, trade, business profession alone had been entered in the register.
- (b) Although 464 trade licences had been issued for the year 2015, the number identified as per annual survey was 381.

2.3.5 **Court Fines and Stamp Fees**

The amount recoverable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015 appear below.

	Rs.
(1) Court fines	1,416,500
(11) Stamp fees	28,263,245

3. **Operating Review**

3.1 **Management inefficiencies**

The following matters are observed.

- (a) The Court which decided that while broadening the road without legal acquirement, safety walls, a gate and a culvert had been broken and 2.62 perches of land had been pushed aside the road and had ordered the Sabha to pay a compensation of Rs.425,120 and legal charges amounting to Rs.23,250 to the respondent. The Sabaragamuwa Commissioner of Local Government had informed the Sabha by his letter No.CLG/7/3/5/5 dated 30 July 2014 that this amount should be recovered from the officers responsible for this incidence. However, the decision had not been implemented.
- (b) The number of unauthorized constructions identified from 07 January 2013 to 21 October 2015 were 65. Although it was requested to refer the unauthorized constructions to the technical officer and to furnish the related reports, there were 20 instances where inspection reports had not been furnished.

3.2 **Operating Inefficiencies**

The following matters are observed.

- (a) The Sabaragamuwa Provincial Council had transferred the Planning Assistant and the Revenue Administrator of the Pradeshiya Sabha from March 2003 and from the month of May respectively. However, they had been allowed to stay without being released and as such the Provincial Council had informed that the salaries of those two officers could not be reimbursed. Accordingly, the sum of Rs.152,140 paid as salaries to those 02 officers in 2003 had not been reimbursed even by the date of audit, that is, 28 March 2016.
- (b) Although a sum of Rs.47,187 should have been paid as contributions for the Widows' and Orphans' Pension of 22 employees confirmed in service, a sum of Rs.18,560 only had been paid.
- (c) Action had not been taken to recover the Sabha's contributions made for 17 permanent and pensionable employees to the Employees' Provident Fund and the Employees' Trust Fund amounting to Rs.226,690 during the period 24 October 2014 to 31 January 2015.

3.3 **Contract Administration**

- (a) A sum of Rs. 164,500 had been paid on 02 December 2014 to obtain materials and services for the construction of the Mahawatha Vehicle Services Centre. The following matters were observed at the physical verification carried out on 09 November 2015.
 - (i) Although work had been completed on 20 November 2014, it had not been used for servicing vehicles.
 - (ii) None of the equipment needed for servicing of vehicles had been installed and the service station had not been maintained properly allowing the premises to be covered with bush.
 - (iii) A refinery tank or any other environmental protection had not been established in order to store the waste water collected at the vehicle services station. Arrangements had been made to allow the waste water to flow into the Ma Oya Reservoir which was the main source of drinking water causing environmental and health hazards.
- (b) The contract for construction of a side wall in the close proximity of Mawanella Children's Park had been carried out by direct labour of the Sabha and a sum of Rs.108,739 made up of Rs.56,960 for cement, Rs.29,045 for sand and Rs.19,734 for stones had been overpaid with reference to Work Item No.03.

3.4 **Solid Waste Material Management**

The following matters are observed.

- (a) The unprotected pit used for many years to dispose of the excreta brought by the galie bowser to the Sabha's Waste Material Management Centre premises was about to overflow.

There was an imminent risk of overflow from the vicinity of the waste material management centre premises to the Ma Oya even during a slight rain. The overflow of this excreta to the waste material management premises may paralyze the activities at the premises and could become a threat to the employees working there. Although there were 2 galie bowsers at the Sabha, the supply of galie service had been limited to private institutions and persons during the year 2015.

- (b) The Bob Cat machine used for producing fertilizer remained idle at the Waste Material Management Centre for over one year.
- (c) It was observed that fertilizer had not been properly produced as the water needed for producing fertilizer was not available at the premises.

3.5 **Environmental Problems**

The waste management centre had daily received about 20 tons of garbage. However, it was observed that about 7 tons were required for fertilizer production and the rest were set on fire. It was observed at the physical verification carried out on 25 March 2016 that it affects the environment as it contains more polythene.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

The following matters are observed.

- (a) One hundred per cent of the provision totalling Rs.203,549,000 made for 22 objects and 55 to 95 per cent of the provision totalling Rs.777,182 belonging to 06 objects both totalling Rs.204,326,182 had not been utilized for the activities of the Sabha.
- (b) The estimated revenue of 06 revenue items amounted to Rs.3,825,000 and the actual revenue amounted to Rs.2,296,196. The recovery of revenue from revenue heads had decreased by 33 to 69 per cent as compared with the budgeted revenue.
- (c) Out of the provision made for 14 objects amounting to Rs.7,128,000, transfers had been made to Objects at the rate of Rs.5,412,000 each resulting in a savings of Rs.1,716,000.
- (d) The sum of Rs.910,000 provided for 04 Objects had been transferred to other Objects.

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) Solid Waste Material Management