

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 17 February 2017 and the financial statements for the preceding year had been presented on 10 March 2016. The report of the Auditor General for the year under review had been presented to the Secretary of the Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 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 2016 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 were observed.

- (a) Even though, the finished works value of 04 works relating to the previous year under Criteria Based Provincial Funds amounted to Rs.1,155,596, the provisions of Rs.1,167,071 had been made for creditors and debtors, as such the value of the working Debtors and Creditors had been overstated by Rs.11,475 each as at 31 December 2016.
- (b) The Ayurveda Grants received in the year under review amounting to Rs.760,500 had been accounted as a revenue from penalty and warrant charges and as such the revenue from grants had been understated by Rs.760,500 and penalty and warrant charges had been overstated by similar amount.
- (c) Revenue from parking fees of Rs.893,873 received during the year under review had been considered as revenue from rent and brought to account and as such the revenue from fees for services in the year under review had been understated by Rs.893,873 and revenue from rent had been overstated by similar amount.
- (d) As a sum of Rs.35,356 had been billed for 38 properties belonging to the Sabha in 02 assessment Divisions during the preceding years and a sum of Rs.42,060 had been over billed for a private property, the revenue debtors and the balance of the accumulated fund had been overstated by Rs.77,416 as at 31 December 2016.

1.3.2 Accounts Receivable and Payable

The following matters were observed.

- (a) The balances of accounts receivable as at end of the year under review amounted to Rs.65,717,951 and of this, the balances of Rs.28,617,097 had been older than one year.

- (b) The balances of accounts payable as at end of the year under review amounted to Rs.96,939,906 and of this, the balances of Rs.22,852,304 had been older than one year.

1.3.3 Non-compliance with Laws, Rules and Regulations

The following non-compliances with laws, rules and regulations were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Section 158 (1) of the Pradeshiya Sabha Act No.15 of 1987 and Pradeshiya Sabha Financial Rule 33	Action had not been taken to recover arrears of assessment tax amounting to Rs.6,942,540 brought forward since number of years.
(b) Employees Provident Fund Act No.15 of 1958 as amended by Employees Provident Fund (Amended) Act No.38 of 1971.	The contributions to be paid to the Employees Provident Fund for any of the month, should be remitted to the Employees Provident Fund of the Central Bank of Sri Lanka before the last day of the following month. Nevertheless, a sum of Rs.80,666 had been paid as surcharges due to delay of paying contributions for the period from April 2003 to October 2008.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 371 (2)b	Even though, the adhoc sub imprests should be settled immediately after completion of the respective purpose, the unsettled advances relating to the year 2016 amounted to Rs.623,224.
(ii) Financial Regulation 396 (d)	Action had not been taken on 04 cheques valued at Rs.17,200 issued but not presented for payment within 06 months.

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 2016 amounted to Rs.33,446,236 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.30,295,596 indicating an improvement in financial results of the year under review amounting to Rs.3,150,640.

2.2 Analytical Financial Review

Increase in 04 items of revenue and the decrease in 05 items of expenditure had mainly attributed to the improvement in financial results amounting to Rs.3,150,640.

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 presented for the year under review appears below.

Source of Revenue	Arrears as at 01 January 2016	Recoveries out of the arrears as at 31 December 2016	Amount billed for 2016	Recoveries out of the amount billed for the year	<u>Arrears as at 31 December 2016</u>		
					Arrears as at 01 January 2016	Arrears out of the amount billed for the year	Total Arrears
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	13,899	6,781	11,822	6,695	7,117	5,127	12,244
(ii) Lease Rent	1,741	58	18,256	18,159	1,683	97	1,780
(iii) Licence Fee	126	14	1,450	1,450	112	-	112
(iv) Other Revenue	55,638	30,593	112,763	1,225	25,045	77,581	102,626
Total	71,404	37,446	144,291	27,529	33,957	82,805	116,762

2.3.2 Rates

The following matters were observed.

- Even though, an assessment for the rates should be made once in 05 years, the assessment of rates had not been carried out after the year 2008. As such a large amount of revenue had been deprived by the Sabha annually due to not identified the annual increase of value of the properties on the development activities.
- Even though, a committee had been appointed for the revisions of ownerships in the year 2010, the revisions of ownerships had not been made for 535 applications out of 1,153 applications for revisions received up to the year 2015. It was observed that, taking prompt action to revise the ownership may assist to solve even problems in arrears of rates.
- Even though, 03 officers had been recruited on the commission basis and the arrears of rates had been recovered, the percentage of recovery of rates had remained as 41 per cent as at 31 October 2016.

2.3.3 **Lease Rent**

Action had not been taken to recover the arrears of lease rent totalling Rs.1,081,079 from 18 meat stalls and 04 fish stalls for the period from the year 2002 to 2013.

2.3.4 **License Fees**

Even though, the licence fees amounting to Rs.27,200 should be recovered from 35 businesses for which had not been obtained licences for the year 2016, legal action had not been taken against the persons who neglected payments.

2.3.5 **Other Income**

The following matters were observed.

- (a) Even though the fees should be recovered for the permanent and temporary advertising hoardings fixed in the authoritative area of the Sabha in terms of the Gazette Notification No.1736 dated 09 December 2011, action had not been taken to recover the arrears of the advertising hoarding fees amounting to Rs.169,600 from 05 advertising hoardings.
- (b) A survey on permanent advertising hoardings for the 2016 had not been carried out. According to the physical examination carried out on 29 June 2016, a revenue amounting to Rs.380,065 had been deprived by the Sabha due to not taking action to recover fees from 30 permanent advertising hoardings.
- (c) Arrears receivable amounting to Rs.100,866 for the year 2014 in respect of vehicle park close to the Children's Park had not been recovered.

2.3.6 **Court Fines and Stamp Fees**

Court fines and stamp fees recoverable from Chief Secretary of the Provincial Council and other authorities as at 31 December 2016 amounted to Rs.2,097,125 and Rs.38,144,432 respectively.

3. **Operating Review**

3.1 **Management Inefficiencies**

The following matters were observed.

- (a) Twenty one employees had been deployed in 08 categories of posts exceeding the approved cadre whereas the number of vacancies in 06 posts had been 09.
- (b) Action had not been taken to recover employees loans amounting to Rs.295,452 recoverable from 11 employees who transferred out retired and disappeared during the period from the year 2005 to 2014.

3.2 **Operating Inefficiencies**

Thirty categories of drugs and 23 categories of drugs were not made available by 31 December 2015 in the free Ayurvedic Dispensary of Mawanella and Dispensary of Alpitiya belonging to the Sabha respectively. Nevertheless, due to not taking action to supply those categories of drugs up to July 2016, a problem had arisen for conducting clinics and conducting out patient treatments, while the attendance of the patients also had decreased.

3.3 **Solid Waste Management**

The unprotected pit used for many years to dispose excreta brought by the gully bowser to the premises of the Waste Management Centre had remained nearing to over flow and there was an imminent risk of over flow the pit from the vicinity of the Waste Management Centre premises to the Maoya even during a slight rain. The overflow of this excreta to the premises of the Waste Management Centre may paralyse the activities at the premises and could become a threat to the health of the employees due to exposure to the environment. Even though, there were 2 gully bowzers at the Sabha, the supply of gully service had been limited to public places from the year 2015. Accordingly, the 02 gully bowzers had remained as idle assets and the needs of the public had not been executed properly.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

- (a) Out of the provisions made in the Budget for the year under review, 100 per cent of the provisions totalling Rs.48,026,000 made for 45 Objects and provisions of Rs.19,951,218 equivalent to the percentage between 80 per cent to 99 per cent of provisions made for 10 Objects had not been utilized.
- (b) The estimated revenue of 06 items of revenue amounted to Rs.6,500,000 and the actual revenue amounted Rs.2,490,440 thus, the variance of recovery of revenue of those revenue items as compared with the estimated revenue had decreased from 33 per cent to 69 per cent ranges.

5. **Systems and Controls**

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

<u>System</u>	<u>Observation</u>
(a) Revenue Administration	(i) Failure to make property assessment for rates duly. (ii) Failure to take action to recover arrears of revenue.
(b) Budgetary Control	(i) Significant savings on estimated provisions. (ii) Non-recovery of estimated revenue.