

**Mahara Pradeshiya Sabha**

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**Gampaha District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 October 2018.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Mahara Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance 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) The sum of Rs.86,769 paid to the Rural Infrastructure Facilities Project during the year under review had been shown as creditors in the financial statements.
- (b) Ten percent retentions of Rs.91,247 of three infrastructure facilities project had not been brought to account as liabilities.
- (c) The value of land and buildings relating to the survey plan No.13085 A amounting to Rs.1,715,000 had not been brought to account.
- (d) Six constructions made in 2017 by using the funds of the Sabha valued at Rs.3,329,166 had not been brought to account.
- (e) Four land given for common amenities and vested with the Sabha by title deeds valued at Rs.43,164,400 had not been brought to account.
- (f) The value of Udupila Mukalanawaththa Elawaththa land entered in the register of fixed assets amounting to Rs.2,240,000 had not been brought to account.

- (g) Fifteen land and buildings valued at Rs.17,749,248 had not been entered in the financial statements of the year under review.
- (h) The arrears of licence fees of Rs.19,890 receivable had not been included in the accounts.
- (i) The stock of general stores amounted to Rs.3,529,624 as per verification reports. However, the balance of the Stock Control Account amounting to Rs.6,334,200 had been entered in the financial statements.

### **1.3.2 Unreconciled Accounts**

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The difference between the balances of 03 items of accounts shown in the financial statements and the related subsidiary registers amounted to Rs.38,082,073

### **1.3.3 Accounts Receivable and Payable**

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#### **(a) Accounts Receivable**

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Age analysis for the balance of debtors of Rs.213,059,830 as at 31 December 2017 had not been furnished.

#### **(b) Accounts Payable**

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The balances of stores creditors as at 31 December 2017 amounting to Rs.9,968,592 included balances of Rs.2,216,964 relating to 02 to 03 years and balances of Rs.1,031,756 over 03 years.

### **1.3.4 Lack of Evidence for Audit**

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#### **Non rendition of Information for Audit**

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The ownership of land and buildings not confirmed by documentary evidence were valued at Rs.3,378,870.

### **1.3.5 Non - Compliance**

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#### **Non-compliance with Laws, Rules, Regulations and Management Decisions**

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Instances of non compliance with laws, rules, regulations and management decisions appear below.

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

**Non-compliance**

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|---|---|
| (a) 1988 Pradeshiya Sabha (Finance and Administration) Rule 203             | A complete survey of the properties of the Sabha not been made and a report furnished accordingly.                          |
| -----   |   |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka |   |
| -----   |   |
| (i) F.R. 396(d)   | Action had not been taken with regard to 44 cheques valued at Rs.74,048 which had lapsed 06 months from the dates of issue. |
| (ii) F.R. 571   | Action had not been taken with regard to general deposits of Rs.4,962,189 over 02 years.                                    |

**2. Financial Review**

**2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.36,269,237 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.54,838,586.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and								
Taxes	10,163,000	12,980,012	9,451,933	3,961,900	8,900,000	10,175,668	10,175,668	5,943,761
Rent	6,573,000	6,580,613	6,580,613	(1,934,964)	6,023,000	6,155,117	6,155,117	(1,360,090)
Licence Fees	2,461,100	1,733,522	1,733,522	(236,664)	2,637,000	1,976,639	1,976,639	32,426
Other Revenue	260,677,000	220,430,096	220,430,096	560,985	245,793,000	213,047,008	213,047,008	-
Total	<u>279,874,100</u>	<u>241,724,243</u>	<u>238,196,165</u>	<u>2,351,256</u>	<u>263,353,000</u>	<u>231,354,432</u>	<u>231,354,432</u>	<u>4,616,097</u>

## **2.2.2 Rates and Taxes**

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According to the accounts as at 31 December of the year under review, the balance of rates amounted to Rs.3,934,760. However, the arrears of revenue amounted to Rs.9,471,840 according to the documents furnished by the Sabha. The Sabha had not furnished explanations for variations.

## **2.2.3 Other Revenue**

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### **Advertisement Notices**

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The following matters were observed.

- (a) Fees amounting to Rs.114,633 had not been recovered for 66 advertisement notices as per bye-laws relating to advertisement notices published in the Gazette Notification of the Democratic Socialist Republic of Sri Lanka No.1947/6 of 28 December 2015.
- (b) Applications had not been prepared in terms of the bye-laws included in the Gazette Extraordinary No.1947/6 of 28 December 2015.

## **2.2.4 Court Fines**

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Court fines amounting to Rs. 3,976,150 was due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

## **3. Operating Review**

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### **3.1 Performance**

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The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 3 of the Pradeshiya Sabha Act such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

#### **(a) Bye - laws**

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Bye - laws should be enacted to fulfil 30 main functions in terms of Section 126 of the Pradeshiya Sabha Act. But, bye-laws had been enacted for 18 functions only even by 31 December 2017.

#### **(b) Action Plan**

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Action plan had not been prepared for 08 functions to be fulfilled by the Sabha as per bye-laws enacted.

**(c) Non-achievement of the Expected Output Level**  
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Out of the estimated amount of Rs.19,300,000 for fulfilment of functions shown in the Action Plan, a sum of Rs.13,334,,938 had been spent. However, the expected output level had not been achieved.

**(d) Non-achievement of the Expected Outcome**  
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The expected benefit had not been obtained even by 29 June 2018 from 04 community centres completed during the previous years.

**(e) Work not Executed**  
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Although a sum of Rs.01 million had been provided in the budget for 2017 for purchasing a suitable land to construct a compost sector for garbage management, the work concerned had not been executed during the year.

**(f) Sustainable Development Target**  
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The Pradeshiya Sabha was unaware of the 2030 Agenda regarding sustainable development target. As such, the long term plan for upliftment of the living standards and health of the public of the Pradeshiya Sabha area through the global indicators for those objectives had not been prepared even by 29 June 2018.

**3.2 Management Inefficiencies**  
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(a) A public complaint register had not been maintained at the head office with regard to complaints received by the Pradeshiya Sabha. According to the public complaint registers maintained by 03 sub offices, about 451 out of 1035 public complaints received in 2017 had not been resolved even by 06 July 2018.

**(b) Execution of NECFA Computer System**  
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The Pradeshiya Sabha had spent Rs.1,796,000 on 01 January 2013 by entering into an agreement with the NECFA Australian Private Institution to purchase a field management software system for rates, sundry revenue, accounting activities. stock control, street lamps and salaries in order to manage the office activities. Although the prime objective of collecting data and performing management activities by purchasing this software system had been fulfilled, management relating to revenue from rates only had been executed up to end of the year under review.

### 3.3 Human Resources Management

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The details of actual and approved cadre as at 31 December of the year under review appear below.

<b>Grade</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Vacancies</b>	<b>Excess</b>
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Senior	04	04	-	-
Tertiary	01	01	-	-
Secondary	52	48	04	02
Primary	96	93	03	-
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Total	153	146	07	02
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The post of revenue inspector remained vacant since 2015.

### 3.4 Operating Inefficiencies

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#### (a) Environmental Licences

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Although 197 business centres had been identified for issue of environmental licences, environmental licences had only been issued to 51 business centres as at 31 December 2017.

#### (b) Tax on Sale of Land

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Revenue of one percent should be recovered from land sold in blocks within the area of the Sabha. But, the amount recovered had been based on the value assessed by an officer of the revenue division. Tax had not been recovered on the actual sales value.

### 3.5 Assets Management

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#### 3.5.1 Assets not entered in Registers

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The stock book at the stores had not been properly maintained. The stock of goods issued to the head office had not been deleted from the stock book. As a result, the correctness of physical verification carried out at the stores on 04 July 2018 could not be confirmed.

### **3.5.2 Assets not Acquired**

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The ownership of three motor vehicles valued at Rs.33,877,530 received as donations in 2015 had not been acquired.

### **3.5.3 Annual Board of Survey**

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According to the board of survey report of books as at 31 December 2017, 413 books valued at Rs.64,911 had been misplaced.

## **3.6 Procurement**

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### **Contract Administration**

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- (a) A sum of Rs.821,049 had been paid to erect barbed wire fences in 06 public places belonging to the Ooruwalperuwa sub office. A cost estimate had not been prepared in this regard. Further, quotations had not been called for and payments had been made at the rate of Rs.578 per linear length based on the price decided by the pricing committee on 30 December 2016. The height of a linear length or the number of rolls of wire had not been specifically indicated.
- (b) A sum of Rs.3,739,511 had been paid for concreting 10 roads, while making the payments, The volume and pressure referred to in the engineers' estimate for work had not been confirmed by laboratory examinations.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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It was observed that the budget prepared to fulfil the objectives and aims of the Sabha had not been used as an efficient instrument of management control as the entire sum of Rs.7,786,200 estimated for 21 Objects for the year under review had been totally saved and 20 to 99 percent of Rs.41,581,372 allocated for 34 Objects had been saved.

## **5. Systems and Controls**

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Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.



<b>System</b> -----	<b>Deficiency</b> -----
(a) Revenue Administration	<ul style="list-style-type: none"> <li>(i) Non assessment of rates and stall rent.</li> <li>(ii) Weakness in collection of arrears of revenue.</li> <li>(iii) To call for tenders again with regard to under utilized stalls.</li> <li>(iv) The percentage of rates and taxes not being revised.</li> </ul>
(b) ControlAdministration	Weakness in supervision.
(c) Budgetary Control	Practically applicable budget not being prepared.
(d) Assets Management	<ul style="list-style-type: none"> <li>(i) Non removal of assets physically not in existence.</li> <li>(ii) Not obtaining title deeds or vesting orders for assets.</li> <li>(iii) The policy for accounting of fixed assets not being adopted.</li> <li>(iv) Non maintenance of register of inventories.</li> <li>(v) Assets not verified annually.</li> </ul>
(e) Solid Waste Material Management	<ul style="list-style-type: none"> <li>(i) Non recovery of garbage tax.</li> <li>(ii) People not made aware of segregation of garbage.</li> <li>(iii) Not minimizing the expenditure on disposal of garbage.</li> </ul>