

Mawanella Pradeshiya Sabha

Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 26 February 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 20 June 2018.

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 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) A well costing Rs.144,122 had not been brought to account under fixed assets and as such the fixed assets and the revenue contribution to capital outlay account had been understated by similar amount.
- (b) A motor vehicle purchased for a sum of Rs.150,000 in the year 1996 had not been brought to account and as such the fixed assets and the revenue contribution to capital outlay account had been understated by similar amount.
- (c) The provisions for creditors had been under provided by Rs.22,279 and Rs.406,489 in respect of two works executed under Rural Infrastructure facilities Development and works executed under public funds respectively.

1.3.2 Un-reconciled Control Accounts

As per the financial statements, the balance of the employees loans accounts as at the end of the year under review amounted to Rs.11,787,120 whereas the balance as per the subsidiary registers/ records amounted to Rs.11,768,016 thus resulting a difference of Rs.19,104.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The balance of the accounts receivable older than 01 year as at the end of the year under review amounted to Rs.47,726,000.

(b) Accounts Payable

The balance of the accounts payable older than 01 year as at the end of the year under review amounted to Rs.17,721,407.

1.4 Non-compliances**14.1 Non-compliance with Laws, Rules and Regulations and Management Decisions**

The following non-compliances with laws, rules and regulations and management decisions are observed in audit.

Reference to Laws, Rules and Regulations	Value	Non-compliance
-----	-----	-----
	Rs.	
(a) National Environmental Act No.47 of 1980 as amended by the Acts No.53 of 2000 and 56 of 1988	20,000	Even though, the industries which should be obtained Environment Protection Licences should be renewed the Environment Protection Licences once in 3 years, 05 business enterprises had not renewed above licences.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
(i) Financial Regulation 371(c)	476,954	Even though, the person who were granted ad-hoc sub-impressts should settle the balance amount at the same day or next working day immediately after the completion of the purpose for which it is granted, action had not been taken so on.
(ii) Financial Regulation 571	583,556	Action had not been taken on lapsed deposits relating to the period from the year 1999 to 2015.
(iii) Financial Regulation 1646		- The Daily Running Charts in respect of 24 motor vehicles belonging to the Sabha had not been furnished to audit from the year 2013.

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 2017 amounted to Rs.47,963,860 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.33,446,236.

2.2 Revenue Administration

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

The information with regard to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	15,304,000	11,760,000	7,862,000	10,057,000	14,520,055	13,670,137	6,695,002	12,244,384
(ii) Lease Rent	27,859,400	26,997,000	23,120,000	6,511,000	22,027,400	20,333,993	18,159,446	1,779,899
(iii) Licence Fees	2,675,200	2,350,000	2,350,000	-	1,825,200	7,110,568	1,450,000	111,650
(iv) Other Revenue	42,672,000	68,079,000	31,917,000	74,495,000	40,979,000	32,913,422	1,225,371	102,625,904

2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed a decrease with regard to revenue items such as rates and taxes, lease rent, licence fees and other revenue by 48, 17, 12 and 25 per cent respectively.

2.2.3 Rates and Taxes

The following matters were observed.

- The balance of rates and taxes and acreage tax as at 31 December 2017 amounted to Rs.9,872,820 and it included a balance of Rs.6,159,000 older than 01 year. The action of the Sabha to recover the rates and taxes and acreage tax had been at a week level.
- Even though, an assessment of properties should have been done once in 05 years, the properties had not been assessed after the year 2009. As such the opportunity to recover

the large revenue from the properties by identifying the properties of which increased the annual value on development activities had been deprived.

- (c) Even though, the arrears of rates and taxes are recovering by 03 employees recruited under the method of payment of commission basis and 06 revenue officers, the percentage of recovery of taxes monthly had remained at a low level less than 20 per cent as at 30 September 2017.

2.2.4 Lease Rent

Action had not been taken to recover arrears of lease rent recoverable totalling Rs.585,637 from 14 trade stalls relating to the period from the year 2008 to 2010.

2.2.5 Licence Fees

The licence fees had to be recovered from 02 business institutions who had not obtained licences for the year 2017 and legal action had not been taken for the persons who defaulted payments.

2.2.6 Other Revenue

The following matters were observed.

- (a) Even though, the fees should be recovered for the permanent and temporary advertisement hoardings displayed 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 fees for 20 advertisement hoardings amounting to Rs.966,400 and legal action had not been taken for the unauthorized advertisement hoardings.
- (b) Five meat stalls and one fish stall had not been leased out for a period over 04 years and as such a revenue amounting to Rs.1,787,420 had been deprived by the Sabha annually.
- (c) Action had not been taken to recover arrears of lease rent of meat stalls and fish stalls amounting to Rs.1,080,539 relating to the years of 2002, 2003, 2005 and 2013.

2.2.7 Court Fines and Stamp Fees

The court fines and stamp fees recoverable as at 31 December 2017 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.3,093,125 and Rs.26,191,148 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads, comfort, facilities and wellbeing of the people under Section 03 of the Pradeshiya Sabha Act are given below.

(a) Activities not implemented

Even though, the estimates amounting to Rs.14,838,595 had been prepared and submitted for approval to accomplish 19 works under public funds, the approval had not been granted even by 02 May 2018 and as such those could not be implemented.

(b) Solid Waste Management

The solid waste such as polythene and plastic in the Solid Waste Management Centre in the Randiwala Heennawatta had been disposed of in haphazard manner close to the Solid Waste Management Centre.

(c) Environmental Issues

The septic tank of the public lavatory close to the Mawanella Children's Park had remained overflowing and the environment around the lavatory had shown an unclean condition.

(d) Sustainable Development Goals

As the Sabha had not aware the 2030 Agenda relating to the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha had not been prepared through global indicators for that objectives even by May 2018.

3.2 Management Inefficiencies

- (a) The Service Minute of the Extinguisher Unit of the Pradeshiya Sabha had not been prepared and approved.
- (b) As the water with sewage had seepage out from the septic tank of the public lavatory of the Mawanella bus stand, the lavatory had been closed from the year 2014. As such it was failed to supply services through above for the general public.
- (c) The water bills of public lavatory of the Mawanella Children's Park had not been recovered from the lessee as per the agreement and as such an arrears of Rs.256,068 had remained as at the end of the year under review.

3.3 Human Resources Management

The following matters were observed.

- (a) Six employees had been deployed for the services of 04 categories of posts exceeding the approved cadre and the number of vacancies of 15 posts stood at 21. In addition to the approved cadre, 46 employees had been recruited on casual basis.
- (b) Action had not been taken to recover Rs.69,784 recoverable from 04 employees who transferred out, retired and disappeared during the period from the year 2005 to 2014.

3.4 Assets Management

The following matters were observed.

- (a) Two lorries belonging to the Sabha valued at Rs.1,926,900 had remained idle for a period ranging from 02 years to 10 years.
- (b) As 18 drivers only had been deployed for 35 motor vehicles, the motor vehicles had remained under-utilized.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) Provisions aggregating Rs.56,439,540 made in the Budget of the year under review had not been utilized consisting of 100 per cent provisions totalling Rs.43,764,540 made for 56 Objects and the provisions ranging from 85 per cent 99 per cent totalling Rs.12,675,000 made for 06 Objects.
- (b) The estimated revenue of 17 revenue items amounted to Rs.11,650,000 whereas the actual revenue amounted to Rs.4,840,363. The recovery of revenue of said Revenue Codes as compared with the estimated revenue had decreased in the ranges between 06 per cent to 67 per cent.

5. Systems and Controls

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

System -----	Deficiencies -----
(a) Accounting	Failure to update the advance register properly.
(b) Revenue Administration	(i) Failure to carry out assessment of properties for rates and taxes properly. (ii) Legal action not taken to recovery of arrears of revenue.
(c) Budgetary Control	(i) Significant savings on estimated provisions. (ii) Non-recovery of estimated revenue.
(d) Motor Vehicle Control	(i) Failure to furnish Daily Running Charts. (ii) Failure to carry out fuel consumption test on motor vehicles.
(e) Waste Management	Failure to dispose waste regularly.