

**Mahara Pradeshiya Sabha
Gampaha District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 25 February 2019 and the summary report of the Auditor general on the financial statements and the detailed management report had been forwarded to the chairman on 30 may 2019 and 16 September 2019 respectively

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Dompe Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally accepted accounting principles.

1.3 Basis for Qualified Opinion

	Audit Observation -----	Recommendation -----	Comments of the accounting officer -----
(i)	The values of 43 units of assets had not been assessed and brought to account.	The values of assets should be brought to account	It is kindly informed that the values of these will be obtained from the institutions from which purchases had been made or assessments will be made so as to bring to account.
(ii)	An overstatements of Rs. 3,178,227 due to entering a double cab twice in the accounts and an overstatement of Rs.319,56 in the value of ayurveda stock had been make in the accounts.	Correct value should be brought to account	Action will be taken to rectify in the final accounts of 2019.
(iii)	The balance of work debtors had been overstated by Rs. 181,971.	Agreed projects only should be shown as creditors.	Action will be taken to rectify in future.
(iv)	Unreconciled balances of 05 items of accounts aggregated Rs.102,894,975.	Action should be taken to reconcile the related balances and rectify accounts.	Reply not furnished.

1.4 Non – compliance

Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and management Decisions	Non- Compliance	Recommendation	Comments of the accounting Officer
Financial Regulations of the Democratize Socialist Republic of Sri Lanka			
(a) Financial Regulation 396(d)	Action had not been taken regarding 76 cheques valued at Rs.379,219 which had lapsed 06 months from the dates of issue.	Action should be taken according to the Financial Regulation	Action is being taken to credit to state revenue.
(b) Financial Regulation 571	Action had not been taken regarding deposits of Rs.5,610,456 over 02 years	Action should be taken according to the Financial Regulation	Action will be taken to credit to revenue the balances over 02 years commencing from this year.

1.5 Accounts Receivable and Payable

Observation

(a) According to the schedule furnished as at 31 December 2018, the debtors balances of 1 to 3 years amounted to Rs. 1,981,989 and the debtors' balances of 3 to 5 years amounted to Rs.2,326,591.	Action should be taken to recover balances receivable.	Further action is being taken to identify balances payable and not payable and furnished them to the Sabha and by adjusting accounts.
(b) According to the schedule furnished as at 31 December 2018, the creditors balances of 1 to 3 years amounted to Rs.34,387,568 and the balances of 3 to 5 years amounted to Rs.10,818,287 where as the balances of general deposits over 5 years amounted to Rs.2,093,800.	Action should be taken to settle balances payable	Further action is being taken to identify balances payable and not payable and furnished them to the Sabha and by adjusting accounts.

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 2018 amounted to Rs.26,395,978 as compared with the excess of revenue over recurrent expenditure Rs.26,395,978 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.42,615,686.

2.2 Revenue administration

2.2.1 Estimated Revenue

2.2.2 Rates and taxes

Audit Observation	Recommendation	Comments of the accounting officer
Action had not been taken to recover the balance of arrears of rates amounting to Rs.3.7 million as at 30 April 2019.	Action should be taken to recover the balances of arrears of rates	An annual plan had been prepared to recover arrears of revenue and the revenue which had been forwarded to all sub offices. Accordingly Action had been taken to recover Rs.767,393 of the arrears of rates and taxes by 30 April 2019.

2.2.3 Revenue from Rent and Licence Fees

Audit Observation	Recommendation	Comments of the Accounting officer
Negative balances of Rs.1,986,894 and Rs.237,664 relating to revenue from rent and licence fees had been shown in the financial statements of the year under review.	Action should be taken to rectify accounts.	Rates and taxes with be Recovered according to the new assessments.

2.2.4 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting officer
Bye – laws had not been enacted to recover revenue from telecommunication within towers within the area of the sabha in the basis of gazette Extra Ordinary No.1597/8 of 17 April 2009	Bye – Laws should be enacted or used	Necessary action is now being taken to enact by –Laws.
Environmental licences had been issued only to 52 out of 182 centres identified to be issued with environmental licences within the area of the Sabha.	Environmental licences should be issued to all institutions requires to be issued with such licences in terms of provisions in the gazette notification.	Informed to obtain environmental licences some businesses are not in existence.

2.2.5 Court Fines and stamp Fees

Audit Observation	Recommendation	Comments of the Accounting officer
The court fines receivables as at 31 December 2018 amounted to Rs.9,332,740.	Court fines receivable should be recovered	Documents relating to court fines had already been prepared and furnished to the Registrars. Action is being taken to recover the amount concerned.

3. Operating Review

3.1 Performance

(a) Bye – Laws

Audit Observation	Recommendation	Comments of the Accounting officer
Although bye-laws were needed to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabha Act, 12 bye-laws had been enacted even by 31 December 2018.	Necessary bye – laws should be enacted	Action is being taken to enact bye – laws for the rest.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting officer
Annual action plan had not been prepared for 04 functions to be executed by the Sabha with regard to bye – Laws enacted.	All functions to be executed should be included in the Action plan	All functions to be executed by the Sabha as per bye-laws enacted will be included in the Action plan of the ensuing year.

(C) Public Complaints

Audit Observation	Recommendation	Comments of the Accounting officer
The Sabha had received 789 complaints during the year under review and the progress relating to solutions founf out for those complaints was at 22 percent level. A register had not been maintained at the head office for public complaints.	Public complaints should be resolved with out delay	Many complaints had been investigated. Practical difficulties exist in taking follow up action to see whether those matters had been attended to.

(d) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting officer
-	-	Sustainable development plan 2019-2023 had been prepared as per instruction given to prepare sustainable development plan for 2019.

3.2 Management Inefficiencies

	Audit Observation	Recommendation	Comments of the Accounting officer
(a)	Although these were 495 roads as per road inventory as at 31 December 2018, only	Survey plans should be prepares for all roads and gazetted	As an extensive expenditure has to be incurred, survey plans had been prepared and gazetted for 10 roads.

24 roads had been gazetted. Survey plans had been prepared for a low numbers of roads, that is, 10 roads.

- (b) A sum of Rs.31.1 million had been spent to install 17,261 street lamps on 495 of these roads by 31 December 2018. Expenditure had been incurred without examining information regarding necessity for installing street lamps and the number of electricity posts required.
- Expenditure should be incurred on street lamps after examination.
- Numbering of lamp posts will commence in June by using G.P.S technology subsequently, action will be taken to issue and install street lamps.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting officer
(a) Vacancies of librarians, a post relating a preparatory school and the post of a revenue inspector were in existence from 2017, 2016 and 2013 while there were 02 excesses in the posts of development officers.	Vacancies should be filled without delay. The excess should be included in the approved cadre.	Applications had been called for with regard to the post of pre -school teacher after issuing a gazette notification. Informed not to make recruitments till a verdict is given for the post of revenue inspector.
(b) Six officers had not furnished security in terms of the circular No. LG/05/2004 of 09 July 2004 of the Commissioner of Local Government for obtaining security from officers of local authorities.	Action should be taken to obtain security deposits from employees.	Action will be taken to obtain security deposits from officers who had not furnish had them.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting officer
(a) Rates had not been revised in all three sub office of the Sabha after 1998. Accordingly, the updated rates recoverable from 12,997 units could not be recovered.	Rates should be recovered according to the new assessment rates.	Rates had been revised for the Mahara Pradeshiya Sabha area Rates will be recovered accordingly in future.
(b) One percent of tax revenue recovered at the Naragwala sub office had been made on the basis of assessment made by a review officer and not on the basis of actual sales value.	Arrears of revenue should be recovered according to the increase in sales price.	The institution concerned decides the sales price. If there is any sub request increase, arrears of tax will be recovered.
(c) A sum of Rs.1796 million had been spent to purchase a software system on 01 January 2013 from Neofa Australia Private Company for Management of office affairs and an agreement had been signed. The matters included rates and taxes,	This software should be used for 06 fields	In addition to the management of revenue from rates, issue of racists, obtaining P.5.3 reports etc., had also been carried out

3.5 Assets Management

3.5.1 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting officer
(a) The tractor and trailer worth Rs.870,000 donated by the Chief Secretary of Western Province had not been acquire	Should acquire the assets	From, to acquire vehicles had been handed over the Department of Motor Traffic

3.5.2 Idle/Under Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting officer
(a) The Ministry of Local Government had issued 640 galvanized tubes on 17 November 2014 without a request from the Sabha. These remained under utilized.	These tubes should be used	These are used as flag staffs when request are made from the public which will be removed subsequently.
(b) Three trailers of the garbage sector remained utilized for a long time	There assets should be used	The trailer had been referred to the Road sector for usage, if necessary.

3.5.3 Annual Verification of Goods/ Stocks

Audit Observation	Recommendation	Comments of the Accounting officer
(a) Ten garbage carts valued at Rs.112,408 04 wheel barrows valued at Rs.4,148, 06 bicycles valued at Rs.35,250 had been entered in the Motor Vehicles and carts Account although they were not physically available for physical verifications/annual board of survey.	Action should be taken to rectify accounts	Final accounts will be rectified after identifying proper procedures.

- (b) According to the verification of books as at 31 December 2018 876 books valued at Rs.141,714 had been this placed and 1313 books valued at Rs.361,131 had not been returned by members.
- All these books should be found out or loss recovered
- Action is being taken to recover the value and action had been taken to get back a portion of books not returned.

3.6 Procurement

3.6.1 Procurement plan

Audit Observation	Recommendation	Comments of the Accounting officer
(a) A sum of Rs.34,947,169 had been paid for laying of block stoned on behalf of 124 road projects without confirming the strength of preserve examined in a laboratory	Payments should be made on examination reports	Strength of pressure not tested for all projects. It is done when the technical officer is not satisfied with the standard of concrete mixture.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting officer
(a) The entire provision of Rs.13,849,000 made for 13 functions in the budget had been saved	Budgeted provision should be properly used	Amount provided could not be spent for various reasons.
(b) Savings ranging from to 96 percent exited in 37 objects which amounted to Rs.24,891,--.	Budgeted provision should be properly used	Amount provided could not be spent for various reasons.

4.2 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting officer
Two meetings only had been held for the entire year during the first 02 quarters of 2018	Committee meetings should be held as required	Action will be taken to hold committee meetings in 2019, as specified.