

## Mirigama 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 08 April 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 June 2019 and 12 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 Mirigama 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

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting officer</b>
(i) The capital expenditure of Rs. 530,026 incurred on widening the head office and the construction cost of Rs. 485,322 of the Nidiya Sevan community entre had been understated in the Land and Buildings Account.	Correct value should be accounted	Will be rectified in the financial statements 2019.
(ii) Motor vehicles and carts valued at Rs. 104,769,917 had been included in the Land and Buildings Account.	Correct value should be accounted	Will be rectified in the financial statements 2019.
(iii) The value of bailing machine amounting to Rs. 32,500 had been entered twice in the Machinery and Equipment Account.	Correct value should be accounted	Will be rectified in the financial statements 2019.

(iv) The value of 09 lands amounting to Rs. 3,167,377 obtained by vesting orders and letters and the additional value of Rs. 119,059,633 had been included in the Land and Buildings Account. The sum of Rs. 13,349,430 deleted from the accounts during the previous years had been deleted twice	Correct value should be accounted	Will be rectified in the financial statements 2019.
(v) Salary reimbursements of Rs. 2,385,000 and the interest on property loans of Rs. 277,362 of the year under review had been included in the Arrears of Capital Revenue Account.	Salary reimbursements and the interest on property loans should be separately accounted	The balances of those 02 accounts had been carried forward to 2019.
(vi) The stock of ayurveda medicine amounting to Rs. 251,674 received as donation during the year under review had not been included in accounts	Should be accounted as donation	The stock of ayurveda medicine obtained had been correctly accounted.
(vii) A difference of Rs. 131,682,956 was observed between the balances of 06 items of accounts shown in the financial statements and the related balances shown in the subsidiary registers.	Action should be taken to reconcile differences and rectify accounts.	Will be corrected so as to avoid differences between the accounts and the schedules.

**1.4 Accounts Receivable**

**Audit observation**

Unidentified loan balances of Rs. 21,429,518 exceeding 06 years as at 31 December of the year under review and the loan balances of Rs. 2,165,538 exceeding 05 years had not been settled.

**Recommendation**

Action should be taken to settle balances payable.

**Comments of the Accounting officer**

Action will be taken to settle the balances as early as possible.

## 1.5 Non-compliance

### 1.5.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance	Recommendation	Comments of the Accounting officer
(a) Special Provisions Act No. 48 of 1971 relating to Local Authorities.	-	Revision of rates by the Department of Valuation every 05 years had not been done after 2008.	New assessment should be obtained and action taken accordingly.	Request had been made to the District Valuer on 20 April 2015.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	26,949,249	Action had not been taken regarding deposits over 02 years.	Should act in terms of Financial Regulation.	Deposits over 02 years will be identified and action taken accordingly.

## 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 Rs. 21,943,365 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 19,448,237

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue billed, Revenue collected and the Arrears of Revenue

The estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	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	13,440,000	9,653,644	8,959,587	694,057	14,130,000	9,675,055	9,257,003	418,052
Rentals	23,110,000	25,286,804	22,964,510	2,322,294	15,895,000	14,946,236	14,523,136	423,099
License Fees	2,163,350	1,082,950	1,082,950	-	1,896,100	1,238,600	1,238,600	-
Other Revenue	267,245,850	1,808,253	1,812,253	(3,999)	221,894,000	1,018,058	1,017,768	290

### 2.2.2 Rates

Audit observation	Recommendation	Comments of the Accounting officer
(i) According to the age analysis of rates as at 31 December 2018 the receivables of the sabha were, Rs. 1,291,805 of 01 to 03 years, Rs. 388,882 of 03 to 05 years, Rs. 2,566,921 of 05 to 10 years and Rs. 574,662 over 10 years.	Arrears of rates should be efficiently recovered.	Action will be taken to recover as early as possible.
(ii) The estimated rates and taxes for the year under review amounted to Rs. 13,440,000 and the revenue billed was Rs. 9,653,644 and Rs. 8,959,587 had been collected. Accordingly, the amount collected was 66.6 per cent of the estimated amount.	Arrears of rates should be efficiently recovered.	Estimates will be prepared to suit the billings in future.

### 2.2.3 Licences Fees

Audit observation	Recommendation	Comments of the Accounting officer
The Public Health Inspectors' Office had received 1,729 applications for licences in 2018 of which 1,426 applications only had been approved.	Licences should be efficiently issued.	Action will be taken to obtain recommendation without delay in future.

**2.2.4 Other Revenue**  
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<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting officer</b> -----
(i) Action had not been taken to obtain Rs. 96,000 from 32 towers during the year under review.	Action should be taken to recover fees due from telecommunication towers.	Action is being taken to recover fees.
(ii) The number of units of sources of revenue had decreased than 2016, except the trade licences.	The number of units of sources of revenue should be increased.	A survey will be conducted to increase the units of rates, new businesses, environmental licences etc.,

**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 Sabha in terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 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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<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting officer</b> -----
Although bye-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabha Act, bye-laws had been prepared for 15 functions only by 31 December 2018.	Necessary bye-laws should be prepared.	Approval for enacting bye-law for car park had been referred to the office of the Assistant Commissioner of Labour.

**(b) Action plan**  
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<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting officer</b> -----
Action plan had not been prepared for 15 functions to be executed as per bye-laws enacted.	All function to be executed should be included in the annual action plan .	Action will be taken in future to prepare annual action plan as per bye-laws enacted.

(c) **Solid Waste Material Management**  
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<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting officer</b> -----
(i) An environmental licence had not been obtained for the place of disposal of garbage.	Action should be taken to obtain environmental licence.	The Central Environmental Authority had informed that an environmental licence is not needed.
(ii) A sum of Rs. 2,000,000 had been paid for the place of disposal of garbage during the previous year and it had become Rs. 4,468,000 during the year under review showing an increase of 123.4 per cent. The Sabha had not considered alternate arrangements in this connection.	Disposal of garbage should be efficiently done.	Reply not furnished.

(d) **Public Complaints**  
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<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting officer</b> -----
Out of the 431 Public complaints received by the Sabha during the year under review, 218 complaints remained unresolved.	Prompt action should be taken to resolve public complaints	Quick action is being taken to resolve public complaints.

(e) **Sustainable Development Targets**  
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<b>Audit observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting officer</b> -----
Long term plans had not been prepared to fulfil the objectives and targets of sustainable development. Sustainable development project had not been executed for the year under review.	Sustainable development target should be fulfilled.	Will be executed in 2019.

### 3.2 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting officer
(a) Physical verification of Stalls  A physical verification carried out on 09 November 2018 revealed that in addition to 17 stalls constructed at Mirigama Surnanasara Mawatha towards the right side of the Sabha, a stall had been constructed without the authority of the Sabha. A temporary stall had been constructed at the end of the row of stalls. There was no documentary evidence to show that this land belongs to the Sabha.	Action should be taken to confirm ownership and safety of assets of the Sabha.	Action will be taken to legally acquire them. Unauthorized stalls will be approved. The temporary stall will be removed.
(b) About 20 stalls constructed within the area of the Sabha had been reconstructed by lessees by altering the original plans and without the approval of the Sabha and the Urban Development Authority.	Action should be taken to confirm ownership and safety of assets of the Sabha.	It will be legalized by approving the building plan subject to the approval of the Urban Development Authority.

### 3.3 Human Resources Management

Audit observation	Recommendation	Comments of the Accounting officer
(a) Vacancies and Excesses in the Cadre  These were 20 vacancies as at 31 December 2018 made up of 2 posts of Revenue Inspectors from 2006 and 2013, 2 posts of Pre-school teachers since 2014, 1 post of sanitary supervisor since 2012 and 07 post of field labourers since 2017.	Action should be taken to fill Vacancies.	The posts of 2 Pre-school teachers will be filled by open recruitments. The post of sanitary labourer will not be filled. Open recruitments will be made for field labourers and others.

(b) **Employees' Loans**

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Recoveries due from 07 officers who had vacated posts, officers who had been transferred and an officer expired amounted to Rs. 154,903, Rs. 78,500 and Rs. 131,200 respectively.

Action should be taken to recover arrears of loan balances.

Recoveries will be made in future.

**3.4 Operating Inefficiencies**

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**Audit observation**

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**Recommendation**

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**Comments of the Accounting officer**

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(a) Six stalls and a room with grinding mill had been constructed in front of the premises of the fair.

Unauthorized construction should be avoided.

Instructed to do business in front of the premises of the fair on a humanitarian basis.

(b) Out of the 306 stalls of the Sabha as at 31 May 2019, lease agreements were available for 115 stalls only. The arrears trade stalls and stall rent amounted to Rs. 1,528,050.

Action should be taken to sign lease agreements and to recover arrears.

Action will be taken to sign agreements for other stalls too. Action is now being taken to recover arrears of trade stalls and stall rent.

(c) The Mirigama pradeshiya Sabha owned 142 Lands. Action had not been taken to demarcate boundary, construct fences and confirm the ownership.

Action should be taken to confirm safety and ownership of public places.

Action will be taken to demarcate boundaries, construct fences and insure ownership.

**3.5 Assets Management**

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**3.5.1 Failure to confirm safety of Asset**

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**Audit observation**

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Action had not been taken to obtain title deeds or to acquire 21 land and buildings valued at Rs. 2,085,182 as appearing in the register of fixed assets.

**Recommendation**

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Action should be taken to acquire ownership of land and buildings by title deeds.

**Comments of the Accounting officer**

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Action is being taken to acquire ownership of 21 land and buildings by declaration deeds.



### 3.5.2 Failure to obtain Revenue receivable

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**Audit observation**

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The Pallawela week end fair remained closed for 04 years from 13 May 2014 to 28 October 2018.

**Recommendation**

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Action should be taken to conduct week and fairs.

**Comments of the Accounting officer**

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The week and fair is successfully in operation since November 2018.

### 3.5.3 Asset not Acquired

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**Audit observation**

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Action had not been taken to by the Sabha to obtain the land belonging to the old ayuruveda building and the Thalahana Pre-school land.

**Recommendation**

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Action should be taken to acquire properties.

**Comments of the Accounting officer**

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Request had been made to the Divisional Secretary for acquirement. But, not vested with so far.

### 3.5.4 Annual Verification of Goods / Stocks

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**Audit observation**

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Action had not been pursued regarding 81 books valued at Rs. 15,063 misplaced as per verification of library books as at 31 December 2018 and 338 books valued at Rs. 41,185 which should be disposed of as the books could not be used.

**Recommendation**

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Action should be taken to recover loss from officers responsible and to dispose of books needed to be disposed of.

**Comments of the Accounting officer**

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Action will be taken to recover value of misplaced books from the officers concerned and action will be pursued regarding disposal of goods.

### 3.5.5 Vehicle utilization

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#### **Audit observation**

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The back loader machine of the Sabha valued at Rs. 4,999,500 had become inoperative since 20 April 2014. This remained corroded in the premises of the Pradeshiya Sabha without being repaired and made use of.

#### **Recommendation**

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Action should be taken to repair and make use of.

#### **Comments of the Accounting officer**

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Action will be taken to auction by informing the Commissioner of Local Government.