

**Mawathagama Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 28 February 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 10 June 2020 and 22 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph “Basis for qualified Opinion” of this report, the financial statements give a true and fair view of the financial position of the Mawathagama Pradeshiya Sabha as at 31 December 2019 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	Comment of the Accounting Officer
-----	-----	-----
(a) The construction value of the driver's rest room amounting to Rs.347,454 had not been accounted for.	Capital expenditure should be properly accounted for.	Action will be taken to include and correct these assets in the preparation of accounts for the coming year.
(b) Five assets worth Rs. 74,270 which were not physically present had been accounted for under fixed assets.	Assets which are not physically found should be removed from the accounts.	One of these bicycles is already in use. One is dilapidated. It was placed for auction in 2019 but has not been auctioned. The remaining two were received by the water project affiliated to the Sabha and those have been taken away when the water project was separated from the Sabha. Accordingly, action will be taken to remove them

		from the accounts next year. Hand carts are in use.
(c)	The value of the bicycle in the vehicle register had not been assessed and accounted for.	The value should be assessed and accounted for.
(d)	There was a difference of 3,579,514 between the schedules and the financial statements in relation to the stock balance as at the end of the year under review.	Action should be taken to correct the relevant differences.
(e)	Among the various deposit schedules and financial statements for the last day of the year under review, Rs. There was a difference of 59,281 between the schedules and the financial statements in relation to the sundry deposits as at the end of the year under review.	Action should be taken to correct the relevant differences.
(f)	There was a difference of Rs.7,987,218 between the register of fixed assets and the financial statements in relation to 06 items of lands and buildings.	Action should be taken to correct the relevant differences.
(g)	Since required information had not been submitted, 06 items of accounts amounting to Rs. 16,065,152 could not be verified satisfactorily during the audit.	Evidence confirming the account balance shown in the financial statements should be submitted.
		A new amount has already been assessed by an assessor this year.
		Action will be taken to look into the difference and correct it in the future.
		The sundry deposits in the account include excessively received stamp duty and employee credit receipts in addition to deposits. Therefore, its total is Rs.7,824,133. Street Lines deposits have been erroneously included in the Deposit Schedule. It has also been mentioned in the trial balance.
		Due to the non-updating of the fixed asset register, these differences exist between the fixed asset register and the financial statements. Action will be taken to update the fixed assets register in the future.
		There are no records of industry advances continued to exist over a long period of time.
		Action will be taken to update the motor vehicles and carts register in the future. The long-standing revenue relating to the concrete project is in the schedules of the account and there is no other information.

1.4 Non-compliances

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Establishments Code of the Democratic-Socialist Republic of Sri Lanka ----- Section 12.2.5 of Chapter vii	Without a formal appointment, the Acting Secretary had received an acting allowance of Rs.226,156 from June 2016 to December 2019.	Action should be taken in accordance with the terms of the letter of appointment.	It is kindly informed that 1/6 of the initial salary of MN 07 has been paid as acting allowance.
(b) Financial Regulations of the Democratic-Socialist Republic of Sri Lanka. F.R. 1646	Daily Running Charts of 06 vehicles had not been submitted for audit from January to October 2019.	Running Charts should be submitted to the audit.	It is kindly informed that the relevant running charts will be submitted to the Audit Office as soon as possible.
(c) Public Administration Circular No. 30/2016 dated 29 December 2016	The fuel consumption test of 10 vehicles had not been carried out.	Action should be taken in terms of circulars.	It has been informed that the Mechanical Engineer had conducted fuel consumption tests for several vehicles and that he would be coming in the future to test fuel consumption for other vehicles.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 16,862,027 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 30,308,129 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows..

Source of Revenue	Year 2019				Year 2018			
	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..
Rates and Taxes	5,470,668	4,848,899	3,417,680	4,948,308	4,960,668	9,609,883	4,769,763	4,840,120
Lease Rent	20,244,740	8,073,220	8,234,905	1,739,160	10,109,160	10,180,395	10,180,394	2,132,618
License Fees	303,000	261,820	261,800	70,400	602,000	326,728	326,728	70,400
Other	127,415,180	122,865,305	73,413,517	66,852,352	115,775,004	174,990,230	177,990,230	71,176,901
Total	153,433,588	136,049,244	85,327,902	73,610,220	131,446,832	195,107,236	193,267,115	78,220,039

2.2.2 Rates and Tax

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Of the initial deficit of Rs. 4,840,120, a low amount of Rs. 931,648 or 19 per cent had been recovered during the year.	Action should be taken to recover the arrears as per the Pradeshiya Sabha Rules.	Arrangements have been made to conduct a revenue collection program in the future.
(b)	The assessment tax deficit of public institutions which has been in existence for many years was Rs. 93,883.	Action should be taken to recover the money as per the Pradeshiya Sabha Rules.	Institutions have been notified by letters to cover the assessment deficit of the state institutions and part of the deficit has been recovered by now.

- | | | | |
|-----|--|--|---|
| (c) | Although the assessment of property should be carried out once in five years, the assessment was done at last time the in the year 2012. | Action should be taken to charge rates using a new assessment. | The assessment done in 2012 was implemented in 2017. It is kindly informed that action will be taken in the future to get a new assessment. |
|-----|--|--|---|

2.2.3 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer	
-----	-----	-----	
(a)	Out of the initial deficit of Rs. 2,132,618, only Rs. 664,604 had been recovered during the year.	Rent should be charged in accordance with the agreement.	Not commented.
(b)	AS a person who had obtained the Beef Stall at the Mawathagama Public Market on monthly rental of Rs. 106,847 had paid fewer amounts than the agreed amount, a loss of Rs. 54,310 had caused from February to June 2019.	Action should be taken to recover the contracted rent.	Although an agreement was reached for a monthly fee of Rs.106,847. Following a request by him to reduce the fee, the monthly rent has been recovered at Rs.97,943 by dividing the assessment value again by 12 months.
(c)	Since the person who obtained Goat and Chicken stall at the Mawathagama Public Market on monthly rent of Rs. 53,609 paid rental only for the opening days of the stall, revenue of Rs. 68,117 had been lost from January to November 2019.	Action should be taken to recover the tax amount as per the formal agreements.	Steps have been taken to charge rent only on the days when the shop is open, with the special approval of the Pradeshiya Sabha on the basis of the report obtained from the Medical Officer of Public Health.
(d)	As at 31 December 2019, there was an arrears of Rs. 154,153 relating to 8 stalls in the Mawathagama Public Market.	Rent should be recovered as per the agreements.	A part of the arrears has already been recovered and arrangements are underway to recover the balance.

- | | | | |
|-----|--|--|--|
| (e) | The arrears of the rent amounting to Rs.1,028,478 to be levied over a long period of time in respect of renting buildings belonging to the had been recovered. | Rent should be charged in terms of the agreements. | Letters have been sent to the Commissioner of Local Government to write off the outstanding rents for the buildings and the necessary approval has not been received up to date. |
|-----|--|--|--|

2.2.4 License Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Action had not been taken to recover the arrears of Rs. 70,400 continued to exist over a number of years.	Annual License- Fees should be recovered on the due date.	Letters have been sent to the Commissioner of Local Government to write off the arrears of income and the necessary approval has not been received up to date.

03. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
Although by-laws should be enacted under section 126 of the Pradeshiya Sabha Act to perform 30 main functions, information on by-laws imposed by the Sabha had not been submitted for audit	Action should be taken to adopt the standard by-laws and enact by-laws as required by the Sabha and to take steps accordingly.	The Sabha has not enacted by-laws.

(b) Implementation of Budgeted Industries

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Eight industries with a budget allocation of Rs. 850,000 in 2019 had not been completed during the year while 37 industries worth Rs. 31,874,043 which had not been budgeted had been completed.	Budget provisions should be properly utilized.	It is kindly informed that these industries had to be given priority owing to the higher demand of the people of the area and the dilapidated conditions of the roads and culverts making it difficult for the people to travel during the rainy season.

(c) Solid Waste Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The non-degradable garbage collected daily had been irregularly disposed of in the solid waste-center premises.	Care should be exercised to maintain the yard clean by properly sorting and storing the garbage collected daily and placing it in the designated places.	Garbage collected under the non-degradable waste collection program had been dumped outside the building due to insufficient space on the concrete pad. It is kindly informed that (at the time of audit) they have been systematically sorted and directed to Inci institute to store and incinerate.
(ii) Although outdoor incineration of waste containing plastic is prohibited under National Environmental Regulations No. 1 of 2017 as declared in the Gazette Notification No. 2034/36 dated 01 September 2017, the non-perishable waste piled up in the premises of the center had been incinerated.	Non-perishable waste such as plastic and polythene should be disposed of in an environmentally friendly manner.	During the audit the Management, the officer in charge of the Waste Management Center had informed that the waste had been dumped in a pit and then set on fire after hulling.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The Sabha had been aware of the Agenda 2030 on Sustainable Development Goals and identified 03 Sustainable Development Objectives and implemented the projects.</p>	<p>In preparing the annual budget, the Sustainable Development Goals and objectives should be identified and action should be taken to achieve them.</p>	<p>It is kindly informed that for ensuring the health and hygiene of poor families under social security schemes during the year under review for sustainable development in the Sabha area, about Rs. 410280.00 has been spent for providing lavatory fittings for 13 selected families in the area. It is further informed that no programs have been implemented this year relating to eradication of poverty and action will be taken next year to implement those programmes.</p>

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) The account balance due for more than 05 years amounted to Rs. 1,500,802.</p>	<p>Action should be taken to recover the arrears further remained receivable.</p>	<p>Arrangements are underway to recover the arrears.</p>
<p>(b) The unsettled balance remained for more than one year amounted to Rs. 8,941,889.</p>	<p>Action should be taken to settle the payable balances.</p>	<p>Action will be taken to make payments for the creditors in the future.</p>

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) There was an excess of 53 staff relating to 09 posts in the approved cadre.	Action should be taken to revise the staff as per Public Administration Circular 25/2014.	It is informed that there is an excess of 53 staff, but 20 Development Officers included therein are not in the approved cadre and those officers have been attached by the Department of Local Government. The others are the employees confirmed by Public Administration Circular 25/2014. Those employees are in the approved cadre.
(b) There were 19 vacancies in 12 posts including the post of Secretary of the Pradeshiya Sabha.	Action should be taken to fill vacancies	It is kindly stated that action will be taken to recruit staff officers for 12 posts including the post of Secretary of the Pradeshiya Sabha in the future.
(c) The outstanding employee loan balance of 07 retired, deceased, service vacated and transferred employees was Rs.131,130.	Necessary action should be taken to recover the outstanding employee debt.	Relevant persons have been informed by letters to recover the outstanding loan balance. Action will be taken to recover the loan balance of the deceased employees from the pension gratuity.

3.4 Assets Management

Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The compactor and a tractor trailer remained idle.	----- Action should be taken to repair and use or dispose of those assets.	----- The compactor was received as a donation. It remains out of use as there is no authority to repair the same. Arrangements have been made to repair the tractor trailer.