

Mahawa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 07 April 2013 and the financial statements for the preceding year had been presented on 09 July 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2013.

1.2 Opinion

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Mahawa Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Interest receivable amounting to Rs.503,739 for 04 fixed deposits amounting to Rs.4,651,562 had not been identified and brought to account as income for the year and as such interest income for the year and the value of fixed deposits as at end of the year had been understated by Rs.503,739.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.22,894,861 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.1,373,055 as against the excess of revenue over recurrent expenditure amounting to Rs.3,254,379 for the preceding year.

2.2 **Financial Control**

The following financial control deficiencies were observed.

- (a.) Creditors (others) included interest of Rs.1,620,818 payable to the Local Loans and Development Fund and a balance of Rs.3,670,147 payable to the Government Pension Fund. Further, sundry creditors included a sum of Rs.2,168,000 which is not a real creditor but an allocation made as Members' proposal for works as per the budget.
- (b.) Works deposits of Rs.3,856,876 included a sum of Rs.2,296,253 received from the Ministry of Tourism in the year 2009 for construction of the Common Amenities Centre, Mahawa and retention money amounting to Rs.1,560,623. These balances had not been settled even by the end of the year under review.

2.3 **Revenue Administration**

2.3.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	2,070	1,191	1,818
(ii.) Lease Rent	7,000	6,206	298
(iii.) Licence Fees	426	217	-
(iv.) Other Revenue	880	989	128

2.3.2 Rates and Taxes

Arrears of rates as at end of the year under review amounted to Rs.1,817,617. This included a sum of Rs.1,078,885 which is old over one year. Action had not been taken to recover the arrears of rates in terms of provisions of Section 158 of the Pradeshiya Sabha Act No.15 of 1987 and Rules 31-42 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

2.3.3 Lease Rent

The following observations are made.

- (a.) Eight properties of the Sabha the minimum bid of which was Rs.681,002 had not been leased out for the year under review. Further, lease rent in arrears amounting to Rs.280,600 relating to the period 1991 to 1995 and Rs.63,882 relating to the year under review under long term lease had not been recovered even by the end of the year under review.
- (b.) Action had not been taken to recover lease rent in arrears amounting to Rs.30,099 since year 2002 for the stall No.06 of the Mahawa General Market.
- (c.) The Road Roller owned by the Sabha had been given to a private company on hire and a sum of Rs.1,092,179 had been due from the said company as at end of the year under review. As provisions for surcharges or fines on arrears had not been included in the relevant agreement, the Sabha had lost the opportunity to recover any charge for delay. Further, the Bacho owned by the Sabha had been engaged in the services of the Road Development Authority on the basis of charging Rs.1,320 per hour and a sum of Rs.1,246,398 had been due in respect of the year under review.

2.3.4 Business Tax and Trade Licence Fees

The Sabha had not carried out surveys relating to billing business tax and trade licence as required by the Rule No.59 and 67 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

2.3.5 Processing Charges for Telephone Transmission Towers

Seven telephone transmission towers had been identified within the area of authority of the Sabha by end of the year under review and processing charges amounting to Rs.451,360 had been recovered only for 02 towers during the year under review. Trade licence fees or business tax had not been recovered in respect of these towers.

2.3.6 Vehicle Parking Charges

Although there is a by-law relating to parking vehicles within the area of authority of the Sabha, action had not been taken to regularize vehicle parks or register the Three Wheelers within the area by conducting annual or periodical surveys relating to vehicle parks. According to the relevant by-law, it is stated that sum of Rs.50 is charged per three wheeler per month. Nevertheless, it could not ascertain whether the charges had been recovered from the three wheelers registered at the 33 three wheel parks identified by year 2011.

2.4 Idle and Physical Resources

Tube well equipment valued at Rs.114,202 and water accessories valued at Rs.34,527 existing for over several years had not been utilized for a useful purpose.

2.5 Transactions of Continuous Nature

- (a.) Section 09 of the agreement dated 06 July 2011 relating to hire of the Motor Grader owned by the Sabha states as follows. “The latter party agrees to pay the former party a hire charge of Rs.386,400 as a deposit which is computed as a monthly hire charge for 25 days at 06 hours per day at Rs.2,576 per hour”. However, charges had not been computed accordingly and recoveries had been made on actual meter hours performed. Therefore, the charges had been computed less by Rs.1,791,105 for the period July 2011 to April 2012.
- (b.) Section 09 of the agreement dated 06 July 2011 relating to hire of the Road Roller owned by the Sabha states as follows. “ The latter party agrees to pay the former party hire charge of Rs.186,899 as a deposit which is completed as a monthly hire charge for 25 days at 06 hours per day at Rs.1,240 per hour.” However,

charges had not been computed accordingly and recoveries had been made on actual meter hours performed. Therefore, the charges had been computed less by Rs.221,742 for the period July 2011 to May 2012.

2.6 Assets Management

Land and buildings; machinery and equipment; motor vehicles and carts and furniture and fixtures valued at Rs.102,262,063 owned by the Sabha had not been verified.

2.7 Operating Inefficiencies

The following observations are made.

- (a.) Although revenue from service charges had been estimated as Rs.9,456,000 only a sum of Rs.4,860,000 representing 51% of the estimate had been actually earned during the year under review. It had been estimated to incur an expenditure of Rs.18,100,000 under capital expenditure. However, an expenditure of Rs.52,200,000 had been incurred during the year under review without a supplementary estimate or transfer from other vote.
- (b.) The contributions to the Local Government Pension Fund had not been duly paid and as such, the balance payable to the said Fund as at end of the year under review amounted to Rs.3,670,147.
- (c.) Loan obtained from the Local Loans and Development Fund for the Road Development Project had not been duly paid and therefore an additional interest of Rs.99,400 had to be paid for the relevant loan during the year under review.

2.8 Solid Waste Management

- (a.) A field inspection carried out on 08 October 2012 in respect of the Solid Waste Management Centre which should be implemented at a cost of Rs.3,982,801 from the provisions for National Solid Waste Management Projects and completed by November 2011; revealed that Compost Shedder Machine had not been installed and that operations of the centre had not been commenced even up to the end of the year under review due to non-obtaining of water and electricity supply.

- (b.) A land call “Wattayaya-hena” to the extent of 0.8 Hectares had been used to dispose of the waste collected within the area of authority of the Sabha and all the waste collected had been dumped there without sorting out the waste. Further, the relevant premises had not been protected and the wild animals are used to reach there.

2.9 Performance

A sum of Rs.1,818,125 allocated for 05 welfare activities for the year under review had not been utilized for the intended purposes. Further, a sum of Rs.2,000,000 had been allocated for the development of the weekly fair and of this Rs.1,826,700 had been saved. The sum of Rs.150,000 allocated for fixing new street lamps too had not been spent.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Contract Administration