

Mawanella Pradeshiya Sabha
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 14 March 2014 and the financial statements for the preceding year had been presented on 07 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 September 2014.

1.2 Opinion

In my opinion except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Mawanella Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

(a.) According to Section 21(e) of Sri Lanka Public Sector Accounting Standard No.01, a reconciliation statement of approved budgeted data of the relevant institution with the actual data or a separate column in the financial statements for budgeted figures should be submitted. However, this had not been submitted.

(b.) A statement of changes of equity had not been submitted with the financial statements in terms of Section 21(c) of the Standard.

1.3.2 Accounting Deficiencies

The following observations are made.

(a.) In computing fixed assets; 04 vehicles valued at Rs.4,325,000 registered in the name of the Chief Secretary of the Sabaragamuwa Province had been accounted as fixed assets of the Sabha without acquiring the ownership.

(b.) A sum of Rs.2,000,000 had been accounted under creditors in respect of expenditure for acquisition of lands not specifically identify during the year under review and had been written-off against the revenue of the year.

(c.) Bonus amounting to Rs.67,575 payable to the staff in respect of collecting stamp fees relating to the period April to December 2011 had been accounted as an expenditure of the year under review.

1.3.3 Contingent Liabilities

The value of contingent liabilities relating to the legal cases filed against the Sabha and by the Sabha had not been computed and disclosed in the financial statements.

1.3.4 Unreconciled Control Accounts

According to the financial statements, the total of balances of 03 items of accounts amounted to Rs.94,559,012 and according to the subsidiary registers/ records the total of the balances of accounts amounted to Rs.62,309,184 indicating a difference of Rs.32,249,828.

1.3.5 Accounts Receivable and Payable

The following observations are made.

- (a.) Creditors balances for over 01 year as at 31 December 2013 aggregated Rs.17,450,094.
- (b.) The balances of accounts receivable for over 01 year as at end of the year under review aggregated Rs.602,036.

1.3.6 Non-compliance with Laws, Rules and Regulations

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a.) Financial Regulations of the Republic of Sri Lanka F.R. 570(c)	- Action had not been taken in terms of the financial regulations in respect of the total sum of Rs.378,448 deposited during the period 1999 to 2010.
(b.) Financial Rules of the Sabaragamuwa Provincial Council Rule 261.2.2	- Action had not been taken to settle on account advances amounting to Rs.90,207 obtained by 04 officers at 04 instances during the period 2000 to 2011.
(c.) Pradeshiya Sabha (Financial and Administrative) Rules-1988 Section 5.8	- Assets valued at Rs.231,786,679 had not been supported by Board of Survey Reports.
(d.) Circular No.3/2012 dated 29 May 2012 of the Commissioner of Local Government Condition No.06 and 07	- It had not been confirmed that fuel allowances of Rs.1,410,000 given as fuel advances had been utilized only for the duties of the Pradeshiya Sabha and also action had not been taken to settle the advances.
(e.) Circular No.2005/04 dated 01 June 2005 of the Commissioner of Local Government	- An advance of 1% recoverable on the temporary assessment of the Revenue Controller of the Sabha had not been obtained for 27 lands relating to 103 Acres sold through public auction at 27 instances during the period of 1999 to 2013. Agreements had not been entered into in respect of the above and as such Sabha had deprived of 10% of the lands sold.

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 2013 amounted to Rs.23,881,817 as compared with the excess of revenue over recurrent expenditure amounting to Rs.9,169,593 for the preceding year, thus showing an improvement in the financial result by Rs.14,712,224.

2.2 Analytical Financial Review

Increase of other recurrent revenue during the year under review as compared with the preceding year had been the main reason for the improvement of the financial result.

2.3 Revenue Administration

2.3.1 Performance of Collection of Revenue

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

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.'000	Rs.'000
(i.)	Rates and Taxes	12,945	13,075	15,773
(ii.)	Lease Rent	21,057	18,228	1,851
(iii.)	Licence Fees	1,610	1,124	153
(iv.)	Other Revenue	67,216	55,642	49,506

2.3.2 Hoarding Charges

Out of hoardings erected within the area of the Sabha during the year 2013; charges had been recovered only from the hoardings informed by the respective owners. Action had not been taken to make aware the Revenue Controllers and to gather information on hoardings through a survey. Proper procedure had not been followed to recover hoarding charges amounting to Rs.243,043 recoverable for the year 2012.

2.3.3 Court Fines and Stamp Fees

The value of court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 amounted to Rs.42,631,106.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a.) An expenditure of Rs.116,400 had been incurred in respect of partitioning the building obtained on rent in the year 2008 for running the office of the Mawanella Pradeshiya Sabha and according to the conditions of the lease agreement all the accessories fixed by the Sabha are owned by the Sabha and these fixtures are removed while handing over the building. But, action had not been taken to get back these goods, even though a few years had passed since the handing over of the building.
- (b.) The officers appointed to appear in courts for the cases filed against the Sabha and cases filed by the Sabha as complainant, had not appeared for the sittings even though they had obtained duty leave to appear for the sittings. Therefore unfavourable judgements for the Sabah had been received. Action had not been taken to compute compensations which had to be paid to the other party and the lawyers' fees and recover them from the officers neglected their duties. Although 27 case files on which judgements already made had been submitted to audit an updated register of court cases had not been maintained including all the information.
- (c.) Although 21 complaints on unauthorized constructions had been received during 2013, the Technical Officers had not reported to the Sabha on 16 of the above.
- (d.) Prior approval should be obtained to work on public holidays and weekends. Nevertheless, approval had been given after the holiday.
- (e.) Action had not been taken to make recoveries from the officers responsible for payment of interest amounting to Rs.300,339 on the delay in payment of compensation for the land acquired for the Mawanella Vehicle Park and payment of fines amounting to Rs.11,843 for the delay in obtaining annual revenue licence for 13 vehicles.
- (f.) No pay leave of 733 1/2 days obtained by 10 employees of the Sabha from 2007 to the end of 2011 had been recorded in the leave register. But, the recoveries on those days had not been done.
- (g.) The Pradeshiya Sabha had to suffer a loss of Rs.35,705 due to making recoveries based only on the consolidated salary for 88 days of no-pay leave obtained by 04 Health Labourers during the year 2012.

3.2 Underutilized Assets

There was a balance of Rs.15,694 in the bank accounts remained dormant for 01 year as at 31 December 2013.

4. Accountability and Good Governance

4.1 Budgetary Control

Provisions amounting to Rs.111,837,181 had been made in the budget submitted for the year under review in respect of 130 items of expenditure relating to 06 programmes and of this; 100% of the provisions amounting to Rs.97,587,181 relating to 79 items and 50% to 99% of the provisions amounting to Rs.11,400,680 relating to 51 items totaling Rs.108,987,861 had not been utilized.

4.2 Unanswered Audit Queries

Replies had not been furnished for 07 audit queries as at 31 December 2013. The quantifiable value of the transactions relating to the said audit queries amounted to Rs.1,763,019.

4.3 Internal Audit

Although, it is a duty of the Chairman to carry out an adequate internal audit in respect of finance and stores in terms of Rule 5(7) of the Pradeshiya Sabha (Financial and Administrative) Rules-1988, action had not been taken accordingly.

5. Systems and Controls

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

- (a.) Budgetary Control
- (b.) Revenue Administration
- (c.) Control over Creditors