

Madurawala Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 13 March 2013 and the financial statements for the preceding year had been presented on 28 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 31 July 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Madurawala Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except of the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Madurawala Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Lack of Evidence for Audit

Works creditors amounting to Rs.3,282,162 and works debtors amounting to Rs.4,936,714; cash balance of Rs.2,056,969; Value Added Tax payable amounting to Rs.97,533 respectively could not be satisfactorily vouched in audit due to the non-availability of registers of works debtors and creditors, confirmation of bank balances and relevant schedules.

2. Financial and Operating 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 2012 amounted to

Rs.2,278,368 as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,945,212 for the preceding year.

2.2 Financial Control

The following short comings/deficiencies in financial control were observed.

- (a) Although there was a cash balance of Rs.2,052,967 in the general cash account as at end of the year under review, attention had not been paid to invest the money for short periods.
- (b) No expenditure had been incurred out of the total provision of Rs.302,800 made for 39 items of recurrent expenditure and the total provision of Rs.9,260,500 made for 11 items of capital expenditure by the budgeted estimates for year 2012. As such 100 percent of the provisions remained unutilized.
- (c) A sum of Rs.547,000 out of the provision of Rs.1,012,000 allocated for 21 items of recurrent expenditure had been transferred to other items of expenditure and the balance provision of Rs.465,000 had remained unspent.

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 shown 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	1,444	1,688	586
(ii) Lease Rent	70	23	288
(iii) Licence Fees	311	303	8
(iv) Other Revenue	2,887	2,837	-

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	<u>Rs.</u>
(i) Court Fines	2,530,208
(ii) Stamp Fees	10,307,070

2.4 Irregular Transactions

According to Section 132(J) of the Pradeshiya Sabha Act.No.15 of 1987, prior approval of the Minister should be obtained if the total expenditure on charity, cultural, health, entertainment and educational activities exceeds Rs.1,000 for one year. Nevertheless, a sum of Rs.117,714 had been spent out of the Sabha funds for providing books for libraries of Dhamma Schools and materials for pre-schools of the area of authority of the Sabha, without obtaining such approval.

2.5 Contract Administration

Development of the Katuhena – Lawalugahahena Road by laying concrete blocks for which provisions had been made under Maga Neguma – Rural Roads Development Programme had been carried out by the Sabha on direct labour basis.

The following observations are made.

- (i) A physical examination carried out with the Technical Officer of the Sabha on 09 April 2013 revealed that the concrete blocks layed had sunked (not even) here and there within a length of 75 Meters and the blocks had been broken, and the surface of the blocks had been washed away and the inner metal could be seen.
- (ii) According to Item of Work No.7 of the estimate, 60 bags of cement are needed to concrete the breakers of both sides of the road with 1:2:4(3/4”) mixture to a length of 110 Meters and a width of 0.15 Meters. However, according to the Report of the Works Completed dated 19 July 2012; only 43 bags of cement had been used.

2.6 Operating Inefficiencies

The following observations are made.

2.6.1 Unsettled Accounts

The accounts had been prepared based on 16 balances of assets totaling Rs.4,910,140 and 14 balances of liabilities totaling Rs.6,858,118 apportioned by the Bulathsinghala Pradeshiya Sabha at the time of the establishment of the Madurawala Pradeshiya Sabha in 2006. But action had not been taken even by 10 April 2013 to settle/recover these balances.

2.6.2 Auction of Lands

- (a) According to Section 154(1) of the Pradeshieya Sabha Act, No.15 of 1987, the Sabha should recover 1% of the sales value of the lands auctioned within the area of authority of the Sabha. Nevertheless, a sum of Rs.1,339,659 being 1% of the rough estimate prepared by the Revenue Controller of the Sabha had been recovered in respect of 05 lands auctioned during the years 2010, 2011 and 2012. Action had not been taken to adjust the difference between the rough estimate and the market value of sales and to recover the balance amount.
- (b) The boundaries of the lands allocated to the Sabha for common amenities at the sub-division of lands had not been marked.

2.6.3 Process of Issuing Environment Licence

According to the instructions of the Central Environmental Authority on delegation of powers to the Local Authorities and implementation of powers, procedure of Issuing Environment Licence as published in the Gazette Notification No.1533/16 dated 25 January 2008; the Sabha should issue Environment Licence accordingly. The following observations are made in this connection.

- (i) The Sabha had identified 63 institutions under 13 fields which had not obtained Environment Licence. Nevertheless action had not been taken even by 09 April 2013; the date of audit examination to issue licence to them.
- (ii) Although programs should be conducted to prevent; decrease and control the environment pollution related to the activities mentioned under the 25 fields for which Environment Licence can be issued; no such programme had been conducted.

2.6.4 Cemeteries

It was revealed that 24 cemeteries have been identified within the area of authority of the Sabha and the observations made in this connection are shown below.

- (i) Surveys had not been carried out in respect of 13 cemeteries.
- (ii) Although a request had been made to the Provincial Commissioner of Lands for vesting 06 cemeteries with the Sabha, they had not been vested even as at the date of audit examination.
- (iii) Complaints had been received about the unauthorized cultivation in the General Cemetery,636 Kudayala, Mabogoda, Thuttiripitiya to the extent of about 02 Acres and encroachments of the lands of the Cemetery, 633,

Werawatta, Delgahakanda to the extent of about 01 Acre. But, no action had been taken in this connection.

2.6.5 Annual Verification of Goods

Although a complete survey should be carried out on the property of the Sabha in terms of Paragraph 203 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988 and all the lands and buildings should be verified in terms of Paragraph 217; action had not been taken accordingly.

2.6.6 Production and Sale of Hume Pipes

Proposals had been passed for the production of Hume pipes required for the works of the Sabha through the budgets for the years 2010, 2011 and 2012 and to earn income from sale of hume pipes during the year 2012. The following observations are made relating to the Hume Pipes produced for the works of the Sabha and for sale during 2012.

- (a.) An estimate of Rs.477,660 dated 17 January 2012 had been prepared for the production of 25,120 and 80 Hume pipes respectively totaling 225 pipes with an inner diameter of 2 feet, 1.5 feet and 1 foot and with a thickness of 2 inches. Nevertheless, 01 Hume pipe of 2 feet, 24 pipes of 1.6 feet and 11 pipes of 01 foot totaling 36 Hume pipes had been manufactured by 24 December 2012 at the same cost of raw materials stating that the prices of raw materials are high. Therefore, it was observed that the level of achievement of expected targets of manufacturing Hume Pipes was low such as 4 percent, 20 percent and 14 percent respectively.
- (b.) These Hume Pipes had not been used for any work of the Sabha during the year 2012 and only 14 Hume pipes of 1.6 feet had been used by 05 April 2013; the date of audit examination. Therefore it was observed that there were no sale of Hume Pipes and the usage of pipes for works also very less.

2.6.7 Distribution of Musical Instruments to Kalayathana

Various musical instruments and a set of Thelme' costumes had been purchased at Rs.193,210 under the programme of distribution of musical instruments to Kalayathana of the area which had been implemented as a budget proposal of year 2012. The following observations are made in this connection.

- (a.) According to Section 132(J) of Pradeshiya Sabha Act, if the total expenditure on religious, charity, cultural, health, entertainment or educational activities exceeds Rs.1,000 for an year, written prior approval of the Minister should be

obtained. But approval had not been obtained as required for the purchase and distribution of the above goods.

- (b.) It had been stated in the Register that 05 categories of musical instruments and a set of Thelme costumes have been handed over to 02 Kalayathanas. But there was no evidence to support that the said goods had been received by the respective parties. Further, these items had not been made available for the physical verification carried out on 05 April 2013.

2.6.8 Production of Concrete Poles

Budget proposals for the year 2011 and 2012 had been passed to manufacture concrete poles for sale and for the requirement of poles for boundary fences of cemeteries and public lands owned by the Sabha, and an estimate of Rs.499,294 had been approved for this project. 100 concrete poles had been manufactured at an expense of Rs.33,493 by 24 December 2012. These concrete poles had been kept in the premises of the Sabha even as at 05 April 2013; the date of audit examination without being used for any purpose.

3. Systems and Controls

Weaknesses in systems and controls observed in audit were informed to the Sabha time to time and special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (c) Control over Assets
- (d) Budgeting