

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 09 July 2012 and the financial statements for the preceding year had been presented on 17 March 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 11 October 2012.

1:2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Mahawa Pradeshiya Sabha for the year ended 31 December 2011.

1:3 Comments on Financial Statements

1.3.1 Lack of Evidence for audit

Non-submission of Information to Audit

Transactions totaling Rs.37,789,647 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

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 2011 amounted to Rs.3,254,379 as against the excess of recurrent expenditure over revenue amounting to Rs.7,958,594 for the preceding year.

2:2 Financial Control

The following deficiencies in financial control were observed.

- (a) Debtors amounting to Rs.15,028,377 and creditors amounting to Rs.13,755,685 respectively had been written-off against the accumulated fund by the Journal Entry No. 49 and the Journal Entry No. 44 during the year under review due to the making over-provisions for debtors and creditors in year 2010.
- (b) Unsettled advances totalling Rs.6,098,770 is carrying forward since a number of years which had prevailed as at end of the year under review and the schedules there on also had not been submitted.
- (c) Action had not been taken in respect of 13 cheques valued at Rs.53,722 relating to 03 bank accounts which had been issued but not presented for payment as at 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, the actual revenue and arrears of revenue in respect of 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	2,856	2,908	1,828
(ii) Lease Rent	6,395	6,633	213
(iii) Licence Fees	216	226	--
(iv) Other Revenue	38,365	24,901	15,748

2:3:2 Courts Fines

Courts fines receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2011 amounted to Rs.5,483,966.

2:3:3 Leasing Out of the Property of the Sabha

The following observations are made.

- (a) There were outstanding lease rent amounting to Rs.256,517 under 12 instances and outstanding trade stall rent amounting to Rs.37,131 under 03 instances from 1982 to 2009 relating to leasing out of assets of the Sabha. Of the above, details could not identified from revenue registers on the rent amounting to Rs.256,517.
- (b) Twelve assets, of which the minimum bid was Rs.328,051 could not be leased out and the lease agreement of the Mahawa No. 2 fish stall which had been leased out for Rs.144,708 had been cancelled on a decision of the Sabha based on the letter submitted by the lessee and after that money had not been recovered since March 2011 and it could not be leased out again.

2:3:4 Leasing of Motor Grader

An agreement had been entered into with the Project Manager of the Padeniya–Anuradhapura Road Development Project on 06 July 2010 to lease out the Motor Grader purchased in March 2010 at Rs.16,446,400 on the conditions to pay Rs.2,576 per meter Hour (with tax) and a monthly hire of Rs.386,400 at minimum of 06 meter hours per day for 25 days. The original agreement was signed on 06 July 2010 for one year and subsequently it had been renewed again in June 2011. The following observations are made.

- (i) Although a sum of Rs.414,994 should be invoiced for using 161.10 Meter hours in March 2011 according to the agreement only a sum of Rs.368,081 had been obtained.

- (ii) Although the lease should pay a hire charge for 25 days at 06 meter hours per day amounting to Rs.386,400 as a monthly deposit in terms of condition 9 of the respective agreement without complying with this condition, the Sabha had prepared invoices based on the actual use of the grader for each month. Due to this, the hire charges relating to the period July 2010 to June 2011 had been invoiced less by Rs.1,073,323.

2:4 Idle and Underutilized Physical Resources

The following observations are made.

- (a) Thirty waste containers valued at Rs.97,500 purchased in year 2007, 08 compost barrels valued at Rs.19,320 and 10 beehive boxes valued at Rs.9,250 purchased in year 2010 had not been distributed even as at end of the year under review.
- (b) Out of the 2447 chairs purchased in the years 2010 and 2011 to distribute among the registered societies within the area of authority of the Pradeshiya Sabha under the implementation of Members; proposals, only 1660 chairs had been distributed to the Societies and 787 chairs valued at Rs.457,592 had not been distributed even by August 2012.
- (c) There was a balance of stock valued at Rs.541,322 existed since 2010 in relating to the construction work of the Mahawa Bus Stand carried out under direct labour basis. Later on 10 July 2010 this construction had been done on contract basis. But, the balance stock had not been handed over to the contractor or taken over by the Sabha. Nevertheless, according to the report of the Technical Officer given in the month of November 2011, only a stock valued at Rs.57,888 available. The said stock had been handed over to the contractor, in the year 2012.

2:5 Human Resources Management

The following observations are made.

- (a) There were 17 vacancies for employees relating to 10 posts of the Sabha and these vacancies existed for over 10 years. Of the approved 03 posts of Technical Officers, 2 posts had been vacant and one out of 03 Revenue Administrator posts, 03 out of 05 Librarian posts also had been vacant during the year under review. According to the clarifications of the Chairman of the Pradeshiya Sabha dated 26 September 20102 as the relevant recruitments have been suspended these vacancies cloud not be filled.
- (b) The post of Secretary which is a Supra Grade of the Management Assistants' Service is remained vacant for over a long period and officers had been employed to carry out the duties on acting basis. The Secretary attached to the Wariyapola Pradeshiya Sabha had been employed on acting basis for 02 days per week for this post with effect from 27 April 2011.
- (c) Although 03 posts of Library Labourers had been approved by the Department of Management Services, 04 permanent employees had been employed for this. Similarly, 10 Local Government Officers had been attached to the Sabha on the basis of reimbursement of salaries from the Department of Local Government; but, the No. of officers approved had not been stated. Four employees of the Sabha had been assigned with duties extraneous to the posts for which they had recruited and 04 substitute watchers had been employed as 4 substitute library labourers and total of 08 employees had been employed on paying salaries from the Sabha.
- (d) According to the approved cadre report there were 02 Karyala Karya Sahayaka (K.K.S.) posts and 02 Office Labourer Posts. But salary reimbursement claims had been submitted and salary reimbursements had been obtained for 02 labourer posts stating as K.K.S. But, the details relating to the permanent labourer post for which salary reimbursement had been obtained had not been included in the details of permanent cadre.
- (e) During the period November 2010 to February 2011, 13 employees had been recruited on service agreements. Although their service period was over by August 2011, their services had been continued without renewing the service agreements, and salaries also had been paid to them. According to the clarifications dated 26 September 2012, of the Chairman of the Pradeshiya Sabha, it had been stated that they have been instructed not to enter into new agreements.

- (f) The approved No. of post under labourers and watchers was 59 whilst only 43 had been in service in the permanent posts as at end of the year under review. But, 31 persons obtaining salaries from the Sabha Fund had been recruited to the Sabha on substitute basis as at end of the year under review.

2:6 Contract Administration

An agreement valued at Rs.3,871,132 had been signed on 04 January 2011 between the Chairman of the Central Environmental Authority and the Chairman of the Mahawa Pradeshiya Sabha for the Solid Waste Management Project and the following matters were observed in this connection.

- (i) The common seal of the Sabha had not been affixed to the said agreement in terms of Section 3 of the Pradeshiya Sabha Act. No. 15 of 1987 and Section 2.23 of the said agreement states that all the works of the Project should be completed by 04 April 2011. However, even the mobilization advance of 20% amounting to Rs.774,226 had been received by the Sabha only on 30 June 2011 and the said advance too had been kept in the works Account.
- (ii) Open tenders had been called for through newspapers on 22 July 2011 for the relevant constriction works and only one tender had been received from the “Huran Contractor”. The Evaluation Committee met on 27 September 2011 had rejected the tender as it had not properly forwarded. Limited tenders had been called for again from the contractors registered in the Engineering Department. The rejected tenderers offer only had been received this time too and the bid offered was at a tender value of Rs.3,982,801 and the Evaluation Committee had recommended to award the tender at Rs.3,803,016.

2:7 Operating/ Management Inefficiencies

The following observations are made.

- (a) The lands and buildings valued at Rs.30,578,638 owned by the Sabha as at end of the year under review had not been regularly verified in terms of Rule 218 of the Pradeshiya Sabha Rules 1988.

- (b) Action had not been taken even by August 2012, the date of audit examination in respect of library books valued at Rs.20,207 said to be misplaced as per Board of Survey Reports of the year under review.
- (c) The contributions payable to the Local Government Pensions Fund by the Sabha in respect of the employees whom the Sabha is liable to pay contributions had not been properly paid in respect of the employees retired from the Praeshiya Sabha Service. Therefore, the balance payable to the said Fund as at end of the year under review amounted to Rs.3,534,989. Further, the said Fund had charged Rs.11,193 as the monthly installment relating to the Sabha, but, the Sabha was not aware about for which employees the recoveries were made for.

2:8 Performance

The following observations are made.

- (a) Although allocations amounting to Rs.72,000 for the development of cemeteries, Rs.100,000 for development of playgrounds and Rs.50,000 for mothers and child health had been made through the budget for the year under review, those activities had not been fulfilled during the year under review.
- (b) The roads belongs to the Sabha had been maintained at a cost of Rs.9,586,816 during the year under review and 12 cemeteries owned by the Pradeshiya Sabha had been maintained at a cost of Rs.600,000 during the year under review.
- (c) There was no corporate plan for the Sabha and no action plan for the year under review. An Audit and Management Committee had been appointed for the year under review and this Committee had met only once during the year under review. But, no adequate internal had been carried out under the Internal Audit Programme.

3. Systems and Controls

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

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