

## **Mawanella Pradeshiya Sabha**

### **Kegalle District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements relating to the year under review had been presented on 03 March 2011 while financial statements of the preceding year had been presented for audit on 19 March 2010.

##### **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 the opinion that the Mawanella Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 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 generally Accepted Accounting Principles and given a true and fair view of the state of affairs of the Mawanella Pradeshiya Sabha as at 31 December 2010 and financial results of its operations for the year then ended.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

(a) Assets amounting to Rs. 2,762,495 included in the Fixed Assets Register had not been accounted and due to that, value of Fixed Assets and value of Contribution to Capital Outlay from Revenue Account in the Balance Sheet had been understated to that extent.

(b) The sum of Rs. 28,730 received as discount in purchasing the library books for the year 2010 had not been accounted. Due to that, value of library books had been understated in a similar sum.

(c) Although the Hingula latrine shown at a value of Rs. 30,000 in the Balance Sheet had been demolished, it is still shown as an asset and due to that value of Fixed Assets had been overstated in a similar sum.

###### **1.3.2 Un reconciled Control Accounts**

While the total of Control Account balances relating to 06 items of accounts amounted to Rs. 206,205,629 the total of balances of those accounts according to subsidiary registers/records amounted to Rs. 194,524,627.

**1.3.3 Accounts Payable**

Value of Accounts balances payable over 01 year as at 31 December 2010 amounted to Rs. 17,555,590.

**1.3.4 Lack of evidence for audit**

**Non-rendition of information to audit**

While one audit query had not been replied for more than three months as at 18 April 2011, the quantifiable value of transactions that referred to in that query amounted to Rs.1,379,772.

**1.3.5 Non-compliances**

Following Instances of noncompliance with laws, rules, regulations and management decisions were observed in audit.

**Reference to laws, rules,  
regulations and management  
decision**

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**Non-compliance**

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| (a) Pradeshiya Saba Act No.15of 1987.<br>Sections 49 and 52                 | Although the Pradeshiya Saba has the authority in terms of provisions in the Act to demolish and remove the buildings constructed without approved plans, such action had not been taken with regard to 07 buildings constructed during the years 2009 and 2010.   |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | Although the balance available out of the ad-hoc advance obtained for a particular job should be settled immediately after completion of that job, action had not been taken to settle sub imprests amounting to Rs.221,950 granted for various programmes during the period commencing from the year 2000 to year 2010. |
| (i) F.R. 371 (b)  |  |
| (ii) F.R. 570   | Although time lapsed deposits for more than two years from the date of deposit should be considered as lapsed  |

deposits and action should be taken in terms of financial regulations, such action had not been taken with regard to deposits amounting to Rs. 118,284

(c) Public Administration Circular No.41/90 dated 10 October 1990.

Once in every six months fuel tanks of all vehicles should be top up with fuel and run in order to test fuel consumption of vehicles. However, such tests had not been carried out at all with regard 10 vehicles belong to the Sabha.

(d) Commissioner of Local Government Circular No. 2005/04 dated June 01 2005.

(i) Paragraph No.03(i)

Action had not been taken to obtain information and details with regard to land sales taking place in the Area of Authority of the Sabha through revenue Inspector/Overseer and Technical Officer.

(ii) Paragraph No. 03(ii) and (iii)

A temporary assessment should be obtained through the Revenue Inspector/Overseer with regard to sales value of blocks of lands subject to sale before approval of the block plan relating to land sales, and based on that assessment, a deposit equivalent to 1% should be obtained from the seller. However, in auctioning the Hiddadeniyahena Land of 05 acres in extent , advances had been obtained with out obtaining such assessment.

(iii) Paragraph No 03(vi)

Although 10% portion of lands to be sold should be vested in the Sabha for common activities, through a deed executed, such action had not been taken in auctioning lands of Old Walau Waththa, Rock View Waththa and Hiddhadeniya Hena.

- (iv) Paragraph No. 03(x) Action had not been taken to obtain details of deeds and value relating to the land to be sold, by sending the Revenue Inspector/Overseer of the Sabha to the Land Registry in order to verify the accuracy of details furnished by the seller.
- (e) Presidential Office Circular No. PPA/6/1/1 dated 31 December 1993
- (i) Government Officers should prepare and submit a report relating to their foreign tours to the officer who approved the foreign tour within 07 days from the date of return to the Island after a foreign tour. However, such Action had not been taken relating to 05 foreign tours made by the Chairman during the period from 2008 to 2010.
- (ii) Although it had been stated that some benefit should accrue to the country out of all official foreign tours made by individuals connected to the Government, it was not confirmed that such benefit has accrued out of foreign tours referred to above.
- (f) Procurement Guidelines of Democratic Socialist Republic of Sri Lanka 2006 Paragraph 5.4.4
- Although a payment could be made as advance to Cultivators' Societies without security up to a maximum of Rs200.000 in the case of a works agreement, a sum of Rs. 400,000 had been paid as an advance during the year 2010, exceeding that amount.

## 2. **Financial and Operating Review**

### 2.1 **Financial Results**

According to the financial statements presented excess of revenue over recurrent expenditure for the year ended 31 December 2010 of the Sabha amounted to Rs.18,124,752, while the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 11,764,328.

2.2 **Revenue Administration**

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

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

<b><u>Items of Revenue</u></b>	<b><u>2010</u></b>			<b><u>2009</u></b>		
	<b><u>Estimated</u></b>	<b><u>Actual</u></b>	<b><u>Accumulated</u></b>	<b><u>Estimated</u></b>	<b><u>Actual</u></b>	<b><u>Accumulated</u></b>
			<b><u>Arrears as at</u></b>			<b><u>Arrears as at 31</u></b>
			<b><u>31 December</u></b>			<b><u>December</u></b>
	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>
	<b><u>‘000</u></b>	<b><u>‘000</u></b>	<b><u>‘000</u></b>	<b><u>‘000</u></b>	<b><u>‘000</u></b>	<b><u>‘000</u></b>
i. Rates and Taxes	9,013	3,459	13,530	4,010	3,086	6,667
ii. Lease Rent	10,500	11,013	720	10,000	9,518	2,606
iii. Licence Fees	1,300	1,483	(140)	1,000	960	151
iv. Other Revenues	94,246	19,496	83,160	20,661	16,765	7,735

2.2.2 **Court Fines**

Fines amounting to Rs. 8,674,767 recovered under various Ordinances and remitted up to 31 December 2010 to the Chief Secretary by a Magistrate Court were due to the Sabha.

2.2.3 **Stamp Fees**

Stamp fees amounting to Rs. 19,855,975 were due from the Registrar General as at 31 December 2010.

2.2.4 **Trade Stall Rent.**

- (a) Although it is stipulated according to the provisions in Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 that the tenant’s movable and immovable properties should be restrain and rent should be recovered when rent recoverable from any place given on rent by the Pradeshiya Saba is not paid within 14 days

from due date, such action had not been taken to recover arrears of rent due from meat and fish stall amounting to Rs. 704,713 brought forward from the year 2002.

- (b) When leasing out the right to sell meat and fish annually, lease agreements had not been signed in respect of the stalls No. 02,03,04 and 05 of the Central Market.

#### 2.2.5 **Water Charges**

Recovery or write-off of arrears had not been made, with regard to water charges amounting to Rs. 97.093 outstanding for number years from Mawela Water Scheme, not functioning at present.

#### 2.3 **Expenditure Structure**

The budgeted and the actual expenditure of the Sabha together with variances for the year under review and the preceding year is given below.

<b><u>Item of Expenditure</u></b>	<b>2010</b>			<b>2009</b>		
	<b><u>Budgeted</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>	<b><u>Budgeted</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>
	‘000	‘000	‘000	‘000	‘000	‘000
<b><u>Recurrent</u></b>						
<b><u>Expenditure</u></b>						
Personal Emoluments	33,684	32,104	1,580	30,509	29,821	688
Other	<u>40,456</u>	<u>100,215</u>	<u>(59,759)</u>	<u>25,770</u>	<u>77,784</u>	<u>(52,014)</u>
Sub Total	74,140	132,319	(58,179)	56,279	107,605	(51,326)
Capital Expenditure	<u>60,473</u>	<u>28,681</u>	<u>31,792</u>	<u>88,100</u>	<u>39,476</u>	<u>48,624</u>
Grand Total	134,613	161,000	(26,387)	144,379	147,081	(2,702)
	=====	=====	=====	=====	=====	=====

#### 2.4 **Surcharges**

Value of surcharges imposed by me in terms of Section 172(3) of Pradeshiya Sabha Act No. 15 of 1987 against those who are responsible and outstanding to be recovered as at 31 December 2010 amounted to Rs. 1,250,000.

2.5 **Human Resources Management**

2.4.1 **Approved and Actual Cadre**

Information relating to approved and actual cadre of the Sabha as at 31 December 2010 is given below.

<b>Grade of Employee</b>	<b>Approved</b>	<b>Actual</b>
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Staff	03	03
Secondary	35	31
Preliminary	57	56
Others (Casual, Temporary)	--	31

2.6 **Assets Management**

2.6.1 **Idle and Under-utilized Physical Resources.**

Audit test checks revealed existence of idle and under-utilized physical resources valued at Rs. 1,731,289.

2.6.2 **Accounts Receivable**

While the total of Accounts Receivable balances as at 31 December 2010 amounted to Rs.2,183,053 total of balances due for more than one year amounted to Rs.917,925.

2.6.3 **Outstanding Staff Loans**

While the total of outstanding balances of staff loans and advances as at 31 December 2010 amounted to Rs. 3,618,625, total of balances due for more than one year amounted to Rs.112,673.

2.6.4 **Non-moving Current Assets**

Total value of assets that had not been moving for more than one year as at 31 December 2010 amounted to Rs. 4,200.

2.6.5 **Assets Not Verified**

Value of assets not confirmed through board of survey reports and value calculated on book values as at 31 December 2010 amounted to Rs. 179,767,288.

2.7 **Identified Losses and Damages**

- (i) In audit test checks and according to records maintained by the Sabha, losses and damages valued at Rs. 1,143,585 were revealed.
- (ii) Approval of the Minister had been obtained for write-off the sum of Rs. 1,143,585 that had been outstanding since the year 2003 from 05 Trade Stalls in the Hingula Market Complex. It had not been possible to recover the outstanding amount due to failure in signing the agreement. It was observed that instead of recovering it from the officers responsible for negligence, the write-off of the amount is a loss to the Sabha.

2.8 **Operational Inefficiencies**

While the amount of salary reimbursements included in the debtors balance as at 31 December 2010 was Rs. 1,740,732, in that value, there was sum of Rs. 152,140 relating to two employees that had not been reimbursed during the year 2003. This old balance continued to be shown as an outstanding balance in the financial statements without taking action either to recover or to get approval for write-off.

2.9 **Contract Administration**

(a) **Completely abandoned Projects.**

Two works estimated to cost at the rate of Rs. 100,000 had been completely abandoned without being performed.

(b) **Constructions**

Lapses observed in field inspections carried out with regard to constructions works are shown below.



- (i) A sum of Rs. 4,350 had been overpaid to the contractor for the two doors fixed under Item of Works No.10 and Item of work No.02 of the rehabilitation work of Ihalagama Rest. Estimated quantity of 9.52 squares according to item 09 of the agreement had been calculated as 11.33 squares and shown in the measurement report relating to the work completion report and for that a sum of Rs. 21,720 had been overpaid for 1.82 squares.

Differences amounting to Rs. 153,856 between values of work performed relating to 05 items of work and values shown in payment reports were revealed due to non performance of work according to the agreement and the estimate of the above work.

- (ii) Sabha had acted according to the contractor's requirement, without acting according to the agreement and the estimate. Due to that, construction work had not been taken place to suit the estimate approved by the Ministry of Tourism. Accordingly, it was observed that the completion of the building had not taken place falling in line with the total amount of Rs. 1,304,538 payable to the contractor and that it is not in a condition to attract tourists.

03 **Systems and Controls**

Special attention is drawn to following areas of systems and controls.

- (a) Accounting.
- (b) Administration.
- (c) Assets Control.