

Mirigama Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 22 May 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 26 February 2014.

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 Mirigama Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Construction of the retaining wall of the Mirigama Play Ground during the year under review had not been capitalized and therefore, the balance of the land and buildings account had been understated by Rs.2,928,422.
- (b.) Capital aid received in cash during the year under review amounting to Rs.3,669,379 only had been brought to account and the sum of Rs.20,636,057 received during 2013 in respect of the development projects for the year 2012 had not been included in the accounts. Accordingly, the balances of capital aid and the capital aid debtors had been understated by a similar amount.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.5,633,262 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 2012 amounted to Rs.13,041,987 as compared with the excess of revenue over recurrent expenditure amounting to Rs.10,236,516 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and arrears of revenue relating to the year under review had not been submitted by the Chairman.

2.2.2 Rates ad Taxes

(a.) Rates and taxes in arrears as at 31 December 2012 amounted to Rs.7,170,587 and this included balances over Rs.5,000 totaling Rs.1,256,649 in arrears for over 05 years. A balance of rates and taxes in arrears due from a private institution amounted to Rs.705,862 and this was due for 10 years.

(b.) 07 Grama Seva Divisions had been declared as developed arrears in terms of Section 03 of the Urban Development Authority Act No.41 of 1978. But, action had not been taken to recover rates and taxes even as at 17 November 2013.

2.2.3 Lease Rent

According to Circular No.80/46 dated 31 December 1980 of the Commissioner of Local Government the stall rent should be assessed at least once in 05 years. But, no assessment had been done after year 2007.

2.2.4 Other Revenue

Miscellaneous income of Rs.89,610 received during the period 2006 to 2010 had been retained in the deposits account without being taken to revenue.

2.2.5 Court Fines

Court fines amounting to Rs.2,562,914 received during the period 2006 to 2010 had been retained in the deposits account without being taken to revenue.

2.3 Uneconomic Transactions

Construction of the Temporary Weekly Fair

Two estimates had been prepared as shown below for construction of a temporary weekly fair to use about for 04 months and these estimates had been accepted by the general meeting on 24 July 2012.

	Rs.
14 units of building with 12 stalls	973,000
11 units of buildings with 12 stalls	764,500

	1,737,500
	=====

Accordingly, G.I pipes and Galvanized Sheets had been obtained from a private company on 12 December 2012 and a sum of Rs.1,737,500 had been paid for the same.

The following observations are made in this connection.

- (a.) It was not clear to audit necessity of preparing 02 estimates for the very same construction.

- (b.) The approval of the Commissioner of Local Government had not been obtained for this expenditure totaling Rs.1,737,500.
- (c.) Report on completion of work or measurement sheets had not been submitted in respect of this construction.
- (d.) A huge amount of money had been spent for a short period of a few months and in addition to this the Sabha had paid a sum of Rs.45,918 as electricity expenses of the weekly fair for 06 months.
- (e.) Although this weekly fair had been constructed to shift the existing weekly fair to this location; the fair had not been shifted even as at 30 November 2013 and a physical check of the fair site revealed that most of the traders are not carrying out trading activities there. As such, the expected income had not been received by the Sabha from the construction of the weekly fair.

2.4 Sub-division of Lands

The following observations are made.

- (a.) By-laws had been passed in respect of the housing development and sub-division of lands by Gazette Extra-ordinary No.1053/17 dated 13 November 1998, but, the Sabha had not paid attention on those by-laws.
 - (i.) According to Paragraph 5(4) and 5(5) respectively of the Gazette notification; if the extent of the land sub-divide is more than 0.5 and less than 1 hectare, 5% of the land and if it is more than 01 and not less than 04 Hectares 8% of the land (except the reservations for street lines) should be allocated from the sub-division plan for community services and entertainment and sports activities. However, allocation had not been done for common amenities while selling the following lands under sub-division plans.
 - (a.) Plan No.1808- Kedankelewatta land situated in the Helidenikanda village.

- (b.) Plan No.4430- Unumuwakele land situated in the Walbothale village
 - (c.) Plan No.2759- Wellawilaboda Watta situated in Kaleliya village
- (ii.) The Sabha had deprived of lands to the extent of 464.75 perches in respect of 07 instances where less than the fixed limit obtained at sub-division of lands for housing purposes in terms of Paragraphs 5(4), 5(5) and 5(6) of the Gazette Notification and where no allocations given.
- (iii.) According to Paragraph 6(j) of the above Gazette Notification, if the pipe born water supply is not available to the land proposed to sub-divide; a written recommendation of the Water Supply and Drainage Board to provide drinking water should be obtained and also the written recommendation of the Medical Officer of Health in charge of the area should be obtained to prove the suitability for housing purposes in terms of Paragraph 6(k) and a certificate should be obtained from the Ceylon Electricity Board in terms of paragraph 6(l) to the effect the supply of electricity to the land. Nevertheless, sub-division of lands had been approved without those certifications.
- (iv.) According to Paragraph 11(c) of the above Gazette Notification, if the number of plots of the land sub-divide is more than 20 the width of all the roads allocated within the land should be 9 meters (approximately 30 feet) However, action had not been taken accordingly.
- (b.) Plan No.1401 for the auction of the coconut land named Camila Watta in Loluwagoda to the extent of 43 Aces, 01 rood had been approved in year 2005. The following matters were observed in this connection.
- (i.) According to Paragraph 6(c) of the Gazette Notification mentioned in the above paragraph, if the land to be sub-divide is a coconut land of more

than 0.4 hectares; the approval of Coconut Cultivation Board should be obtained for it. However, according to the letter No.cos/කවව්/2004 dated 10August 2004 of the Chairman of the Coconut Cultivation Board, the approval had not been given for the sub-division.

- (ii.) A recommendation should be obtained from the Central Environment Authority that there is no effect to environment by the sub-division. But, the approval had not been given as per the letter No.08/NRM/LAND/117/2004 dated 04 October 2004 of the Director of the Central Environment Authority.
- (iii.) According to Paragraph 5(7) of the said Gazette Notification, a location approved by the Medical Officer of Health of the area should be allocated for a cemetery and the extent of the land is more than 10 hectares, the Sabah should decide the extent of the cemetery complying with the requirements of Paragraph 5(7)(b) of the said Gazette Notification. But, the Sabha had not acted accordingly.
- (iv.) According to Paragraph 5(8) of the said Gazette Notification, an adequate block of land should be allocated for waste with the consent of the Sabha. But, action had not been taken accordingly.
- (v.) Although 10% after allowing for roads should be vested with the Sabha for community and entertainment purposes; only 358.5 perches had been vested as per relevant deeds instead of 586.07 perches. Of this, an area of 343.5 perches is not suitable for common amenities.

2.5 Legal Matters Initiated Against the Institution or by the Institution

The following observations are made.

- (a.) The institution had filed 02 cases for recovery of rates in arrears and tender money totaling Rs.797,358 and the outside parties had filed 05 cases against the

Sabha. Four of these cases are relating to injustice done to the respective parties and 01 case is relating to demanding a compensation of Rs.01 million for giving permission to run a business in a manner of polluting environment. The Sabha had paid lawyers' fees amounting to Rs.76,000 during the year under review in respect of the above cases.

- (b.) A person who had suffered due to non-complying with the Land Acquisition Ordinance in acquiring lands for widening the Panwala Road in the year 2002 had filed a case against the Sabha in 2003 demanding damages amounting to Rs.35,000; and the Sabha had to pay the damages in 2008. But the Sabha had not paid the money to the relevant party and due to this the total amount payable had become Rs.94,918 including the fines. This amount also had not been paid and therefore the Courts had distrained the three wheeler owned by the Sabha on 18 December 2012 by the Sabha on 18 December 2012 and subsequently the three wheeler had been released on 04 January 2013 after paying a sum of Rs.94,918 to the Attanagalla District Courts. It was observed in audit that more money had to be paid as the officers responsible had not taken action to pay the relevant money on due date.

2.6 Operating Inefficiencies

The following observations are made.

- (a.) The opening balance of the capital aid debtors account (2.81) amounting to Rs.1,979,294 had remained unchanged throughout the year and action had not been taken to recover this money from the relevant parties. Further, the opening balance of the capital aid debtors account (3-81) amounted to Rs.5,233,330 and of this only a sum of Rs.2,754,525 had been reimbursed during the year under review. Action had not been taken to get reimburse the balance sum of Rs.2,478,805.
- (b.) According to the Board of Survey Reports as at 31 December 2012, there was a shortage of 93 goods under 20 items and action had not been taken in terms of the

provisions of the Financial Regulations of the Republic of Sri Lanka in respect of these shortages.

- (c.) The agreements of 32 stalls owned by the Sabha had been lapsed during 2009, 2010 and 2011. However, the agreements of these stalls had not been renewed or re-tendered the stalls.

2.7 Irregular Transactions

Provisions amounting to Rs.1,600,000 had been made in the annual budget of 2012 for purchase of 04 three wheelers to the Sabha and accordingly 04 three wheelers had been purchased from a private institution at Rs.525,000 each on 18 May 2012. The following observations are made in this connection.

- (i.) The required specifications had not been indicated in the letter of calling for quotations.
- (ii.) The lowest price quoted was Rs.510,020 and the quotations selected was Rs.525,000. The recommendations of the Technical Evaluation Committee and the Finance Committee on this were not made available to audit.
- (iii.) The approval of the Director General of National Budgets and the Commissioner of Local Government had not been obtained in respect of the above purchase.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Audit
- (c.) Revenue Administration
- (d.) Stores Control
- (e.) Sub-division of Lands

