

Madurawala Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 25 March 2015 while Financial Statements relating to the preceding year had been submitted on 21 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 30 June 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Madurawala Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a) A sum of Rs. 4,000,000 received from the Ministry of Provincial Councils and Local Government under Pradeshiya Sabha Strengthening Programs and expenditure incurred out of that had not been accounted as revenue and expenditure and had been deposited in the Sundry Deposits Account and expenditure had been incurred out of that.
- (b) Goods falling under Inventory Items valued at Rs. 389,863 had been included in the balance of stocks and due to that, balance of stocks and the surplus for the year had been overstated to that extent.
- (c) While the Stock of Fertilizer Packets in the Compost Yard valued at Rs. 48,000 and the balance Stocks in the Sub Offices had not been identified and accounted, 03 cylinders with gas purchased for a sum of Rs. 18,267 had not been accounted in the Stock Balance.
- (d) According to financial statements, values of Motor Vehicles and Carts, Machinery and Equipment and Work Debtors Balance were Rs. 17,838,432, Rs. 2,853,258 and Rs. 3,497,958 respectively, However, according to totals of subsidiary registers relevant to those had been Rs. 15,217,890, Rs. 1,574,952 and Rs. 1,900,251 respectively.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over expenditure of the Sabha for the year ended 31 December 2014 had been Rs.1,804,723 as against excess of recurrent expenditure over revenue amounted to Rs. 3,192,306 in the preceding year.

2.2 Financial Control

Following Financial Control deficiencies and lapses were observed.

- (a) The balance of the collection account (current account) of Waragoda Sub-office, amounting to Rs. 247,455 had been kept idle for more than 03 months without being utilized for any purpose.
- (b) There was a dormant balance of Rs. 90,003 in the Staff Loans Balance.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information as furnished by the Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are 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	1,175	891	973
(ii)	Lease Rent	-	-	-
(iii)	Licence Fees	240	175	-
(iv)	Other Revenue	506	1,000	-

2.3.2 Rates

Out of the balance of Rates in arrears amounting to Rs. 766,828 as at 31 December 2014, a sum of Rs.427,648 and out of Acreage Tax in arrears amounting to Rs. 87,590 a sum of Rs.1,863 were due to be recovered as at 20 June 2015.

3. Operating Review

3.1 Under-utilized Assets

Out of the 200 Concrete Post produced during the years 2012 and 2013 under the Concrete Posts Production Project, only 36 posts had been used up to the date of audit. Balance 164 posts valued at Rs. 74,383 remained idle without being used for any purpose.

3.2 Un-economic Transactions

- (a) Although a Vehicle Service Centre (Service Yard) for the Sabha had been constructed at a cost of Rs. 109,702 and work had been completed on 10 June 2013, it had not been used for servicing vehicles of the Sabha. While all the vehicles had been serviced from outside entities on payment of cash, even three wheeler vehicles which could be easily serviced had been serviced from outside entities and a sum of Rs. 18,500 had been paid in 06 instances within 05 months.
- (b) Construction of crematorium approved by the Ministry of Economic Development under Palath Neguma Program and planned to be constructed under provision of Rs. 15 million had been abandoned after payment of Rs. 60,000 as charges for soil testing.
- (c) Although a sum of Rs. 19,706 had been paid during the year 2013 for publishing advertisements in newspapers for calling for quotations for the purchase of materials required for Projects approved under Maga Neguma Rural Development Program, any of those Projects had not been implemented.
- (d) Although a sum of Rs. 10,000 had been paid on 09 June 2014 for providing a software package for computerization of library books and consultancy charges, it had not been made use of even up to 06 May 2015, date of audit.

3.3 Operational/Management Inefficiencies

(a) Land Auctions

Although a revenue of 1 per cent from should be obtained by the Sabha from the sale proceeds of lands auctions in the area of authority of the Sabha in terms of Section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, without taking action accordingly, a sum of Rs. 1,011,977 as 1 per cent of the gross estimate prepared by the Revenue Overseer of the Sabha had been obtained from 3 land sales during the years 2013 and 2014. Action had not been taken to obtain the balance money after adjusting the difference between the estimate and the market selling price.

(b) Issue of Environmental Licenses

Although Environmental Licenses should be issued according to the Procedure for issue of Environmental Licenses, as per instructions given relating to delegation of authority to Local Authorities and exercise of such authority by the Central Environmental Authority as published through the Gazette Notification No. 1533/16 dated 25 January 2008, out of 42 institutions liable to obtain Environmental Licenses as identified by the Sabha, Environmental Licenses had been issued to only 19 institutions up to 31 March 2015, date of audit. Accordingly, 23 industries had been in operation without obtaining Environmental Licenses.

(c) Non-operation of Planning Committees

While a Planning Committee was not in operation for approval of Blocks of Land and Building Plans in the area of authority of the Sabha, 246 Blocks of Land and 112 Building Plans had been approved during the year 2014 alone by the Chairman based on the Technical Officer's recommendation, without Committee approval

(d) Compost Production

At the inspection of Compost Yard carried out on 30 April 2015 a stock of compost ready for packing, 08 bags of 25 kilo grams , 28 bags of 05 kilo grams and 05 bags of 02 kilo grams were available. Following observations are made in this connection.

- (i.) Stock books had not been maintained with regard to stocks of packed fertilizer after production in the Concrete Yard and issues made.
- (ii.) Although the compost bags received for marketing at the sub-offices had been recorded in a stock-book, receipts and issues of stocks had not been correctly recorded and due to that, there were instances of arising minus balances.

(e) Repairs to Vehicle

Although the advance to be granted for a particular work should not exceed 20 per cent of the estimated expenditure, in three instances, out of estimated repair expenditure amounting to Rs. 248,472 of the JCB Machine, a sum of Rs. 186,549 or 75 per cent had been paid as advance.

(f) Budgetary Control

- (i.) Although a sum of Rs. 50,401,500 for 09 Capital Expenditure Heads and a sum of Rs. 27,000 for 09 Recurrent Expenditure Heads had been made available through the Annual Budget, any expenditure had not been incurred out of those.

- (ii.) Out of provisions made available totaling Rs. 28,192,100 for 37 Items of Expenditure, a sum of Rs. 612,844 remained unspent even after transferring a sum of Rs. 5,461,500 to other Items of Expenditure.
- (iii.) Although it had been estimated to earn revenue of Rs. Rs. 13 million by hiring out Road Roller, JCB Machine and the Water Motor for the year 2014, the revenue earned from those during the year under review had been only Rs. 512,335 and therefore an overestimate of Rs. 12,487,665 had been made.
- (iv.) It was observed that the revenue of the JCB Machine for the year 2014 had been Rs. 421,000 while a sum of Rs. 678,561 for repairing the vehicle and a sum of Rs. 558,052 had been spent for fuel.
- (v.) Although a sum of Rs. 440,000 as Business Tax and Industrial Tax and a sum of Rs. 350,000 as Trade License Fees had been had been estimated according to the Budget for the year 2014, a sum of Rs. 367,000 and a sum of Rs. 250,000 had been shown respectively as estimated revenue for final accounts.

(g) Losses and Damages

 Action had not been taken up to now to decide the persons responsible with regard to shortage of 1063 books in the Waragoda Public Library revealed at the Board of survey carried out for the year 2013.

3.4 Performance

 Provisions amounting to Rs. 51.6 million approved for spreading concrete stones in 102 roads in the area of authority of the Sabha under the Maga Neguma Rural Development Program of the Ports and High Ways Ministry and a sum of Rs. 250,000 approved for one road during the year had been cancelled due to non-performance of relevant works.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Stock Control
- (d.) Contracts Administration