

Mahara Pradeshiya Sabha

Gampha District

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 22 July 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters referred to in Paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Mahara Pradeshiya Sabha as at 31 December 2015 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

The following deficiencies were observed.

- (a) Provision for creditors relating to 02 projects under “Gama Neguma Programme” had been made less by Rs.563,700.
- (b) Action had not been taken to rectify the accounting deficiencies pointed out by the Report of the Auditor General for the year 2014; even at the preparation of financial statements for the year 2015.
- (c) The sum of Rs.42,000 spent for the registration of 02 Tractor Trailers purchased during the year under review had not been capitalized.
- (d) Action had not been taken to assess and brought to account the value of 19 lots of land belong to the Sabha.
- (e) The following deficiencies were observed in respect of accounting the construction of the Kendaliyedda, Polhena Crematorium.
 - (i) A provision of Rs.6,500,000 had been made during the year under review for creditors in respect of a sum of Rs.3,514,777 payable to the contractor and therefore, creditors account had been overstated by Rs.2,985,223.

- (ii) A loan of Rs.7,170,000 had been received from the Local Loans and Development Fund during the year under review for the construction of Polhena Crematorium and this loan had not been accounted as long-term liabilities.
 - (iii) The sum of Rs.7,170,000 given by the Local Loans and Development Fund and the sum of Rs.6,500,000 being the savings out of the estimated amount, totaling Rs.13,670,000 in respect of the construction of the Polhena Crematorium had been debited to the income and expenditure account as sale of capital assets under health services.
 - (iv) A sum of Rs.6,500,000 in respect of the construction of Polhena crematorium had been debited to Accounts in arrears and credited to the Loan Account and therefore the two accounts had been overstated by a similar amount.
- (f) The interest of Rs.29,050 paid to to the Local Loans and Development Fund for the months of June and July 2015 had not been brought to accounts.
- (g) A sum of Rs.1,059,409 recovered during the year under review for the Cab obtained on the basis of making recoveries through salary reimbursements of the Department of Local Government of the Western Provincial Council had not been capitalized to the motor vehicles account.
- (h) The value of furniture and fittings relating to the years 2001, 2002, 2003 and 2004 respectively amounting to Rs.613,404, Rs.36,964, Rs.113,805 and Rs.48,220 totaling Rs.812,393 had not been brought to account as furniture and fittings.
- (i) The value of furniture and fittings of the pahala Karagahamuna Sub-office as at 31 December of the year under review amounting to Rs.56,255 had not been shown in the accounts.
- (j) Library books valued at Rs.1,479,938 purchased for 03 Sub-offices during the year under review had been brought to account under Mahara Sub-office.
- (k) A surcharge of Rs.57,415 had been levied in respect of Employees Provident Fund and a sum of Rs.19,956 of this had been paid during the year under review. Provision for creditors had not been made in respect of the balance sum of Rs.37,459 payable.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.35,160,810 could not be satisfactorily vouched in audit due to the non-submission of necessary information to audit.

1.3.3 Bank Accounts

The following observations are made.

- (a) Action had not been taken in terms of Financial Regulation 396(d) of the Republic of Sri Lanka in respect of 117 cheques totaling Rs.1,064,463 which had been issued from 2007 to 2014 and not presented to the Bank.

- (b) A sum of Rs.253,302 directly received by the Bank during the years 2013 and 2014 had not been identified and these balances had been brought forward in the bank reconciliation statements continuously.
- (c) 03 Bank balances totaling Rs.16,178 had been continuously brought forward in the Bank Reconciliation Statement and action had not been taken to settle them.
- (d) Action had not been taken to settle dishonoured cheques valued at Rs.26,336 as at 31 December 2015.

2. Financial 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 2015 amounted to Rs.17,194,642 as compared with the excess of revenue over recurrent expenditure amounting to Rs.41,650,401 for the preceding year.

2.2 Financial Control

The tenure of the Mahara Pradeshiya Sabha had been terminated from 15 May 2015. The Commissioner of Local Government. (Western Province) by his letter No.LGD/05/02/03 dated 22 May 2015 had informed the Secretary of the Sabha to implement a suitable administrative structure in the institution in order to execute the powers of the Sabha. However, a suitable administrative method had not been implemented in the institution in respect of authorization of payment vouchers, certification and approving of payments. The Secretary of the Saba had certified and approved the payments by him self since May 2015 in contrary to Financial Regulation 135 to 139 of the Republic of Sri Lanka.

2.3 Revenue Administration

Information relating to the estimated revenue, actual revenue an arrears of revenue relating to the year under review as presented by the Secretary in shown below.

Item of Revenue	Estimated Revenue	Actual Revenue	Cumulative Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	4,443	5,236	7,686
Lease Rent	3,555	3,610	549
Trade Licence Fee	1,328	1,281	468
Other Income	601	733	6

2.3.2 Rates and Taxes

The following observations are made.

- (a) The last assessment of taxable property had been done by the Urwal Peruwa Sub-office in the year 1968. A revision of rates had not been done even though 47 years passed and also action had not been taken to identify the new taxable property. Rates and taxes had been recovered up to 2015 only from the 140 units of rates existed since year 1968. Therefore the rates and taxes income of this Sub-office was very less. Although building plans had been approved year by year, action had not been taken to identify new units of rates.
- (b) The balance of rates and taxes in arrears amounting to Rs.7,396,886 as at 31 December 2015 included a balance of Rs.3,045,803 for over 10 years, a balance of Rs.2,048,070 for periods from 5-10 years' and a balance of Rs.1,895,821 for periods from 1-5 years. Action had not been taken in terms of Pradeshiya Sabha Act No.15 of 1987 to recover these arrears.
- (c) Even though the area of the Pradeshiya Sabha had been named as a developed area, it was observed that a development in the units of rates had not been occurred.

2.3.3 Trade Licence

According to the age analysis submitted by the Revenue Controller, the balance of trade licence fees in arrears included a balance of Rs.15,220, for over 10 years and a balance of Rs.311,870 in arrears for periods 1-5 years as at 31 December 2015. Action had not been taken to recover these arrears.

2.3.4 Transmission Tower Charges

The Sabha had not taken adequate steps to carry out a survey on transmission towers within the area of the Sabha, to pass by-laws in terms of Extra-ordinary Gazette Notification No.15971/8 dated 17 April 2009 and recover the charges. Although 15 transmission towers have been identified by 31 December 2015, action had not been taken to recover relevant charges from them.

3. Operating Review

3.1 Uneconomic Transactions

While the Health Controller supervising the removal of waste, a Field Works Labourer had been employed to observe the rake-out of waste and fuel expenses for Motor Cycle amounting to Rs.72,000 and overtime amounting to Rs.80,064 had been incurred for the above during the year under review. Supervision of disposal of waste is a duty of the Health Controller and there is no necessity to employ a labourer of the Sabha and therefore it observed that these are uneconomic transactions.

3.2 Irregular Transactions

The following observations are made.

- (a) A sum of Rs.822,671 had been received as administration expenses in respect of carrying out additional duties with regard to development projects implemented in year 2014. A sum of Rs.803,000 of the said money had been paid to the Secretary of the Sabha and 45 other employees of the staff. The prior approval for carrying out duties on holidays, and the information relating to the computation of administrative expenses with regard to the above payments had not been furnished to audit. A sample check of attendance records of the relevant employees was carried out and it was observed that the additional duties done by them only for 245.45 hours and accordingly the amount payable was Rs.28,661. However, a sum of Rs.324,500 had been paid.
- (b) According to Paragraph 04 (iii) of the Circular No.LP/95/46 dated 27 December 1996 of the Chief Secretary, Western Province; vehicles should not be used for private purposes of staff members of the Sabha at any Circumstance. However, the Secretary of the Sabha had used the vehicles of the Sabha to travel between the home and office daily about 122 K.M. A sample check carried out on daily running charts from 08 July to 13 August 2015 revealed that 3172 K.M. had been run between the home and office and that fuel expenses amounting to Rs.40,782 had been incurred from the Sabha funds.
- (c) According to the letter No. PL/M/01/05/26 dated 09 September 2010 of the acting Secretary of the Ministry of Local Government and Provincial Councils; when a Head of a Local Authority, Deputy Head or a Member is selected for a foreign training Programme; all the expenses and facilities should be borne by the relevant organization or foreign institution or the foreign state and the funds of the Government or Provincial Council or the Local Authority should not be utilize for the purpose. However, contrary to these instructions, a sum of Rs.160,000 had been paid to a member to participate in an Observation of Local Authorities and a Training Programme held at Vietnam that had been organised by the Sri Lanka Local Authorities Guild.

3.3 Operating Inefficiencies

The following observations are made.

- (a) Title deeds of 03 lands to the extent of 02 Roods, 8.18 Perches allocated for common facilities had not been obtained even by 02 May 2016; the date of audit examination. These had not been entered in the Registers of Fixed Assets due to non-availability of title deeds.
- (b) Books valued at Rs.349,938 had been purchased during the year under review for 03 out of 05 Libraries of the Uruwal Peruwa Sub-office i.e Henegama, Wilimbula and Neelamahara. Nevertheless, the Sabha had not paid attention to improve the number of readers of these libraries.

- (c) The Sabha had paid a temporary pension amounting to Rs.985,649 to 14 officers retired from 1990 to 2012; but, action had not been taken to get reimburse the money from the Department of Pensions. According to the accounts of the Sabha, there was a creditor balance of Rs.41,201 payable to the Director general of Pensions and according to the accounts of the Director General of Pensions the respective balance was Rs.245,078.
- (d) There was a balance of arrears amounting to Rs.377,600,in respect of billing for a property (stalls burnt at the 1989 riotous period) within the area of the Uruwal Peruwa Sub-office and action had not been taken to settle this.

3.4 **Human Resources Management**

The approved and actual carder of the Sabha as at 31 December 2015 were as follows.

	Approved	Actual	Vacancies
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Staff Grade	04	04	-
Tertiary Grade	01	01	-
Secondary Grade	52	51	01
Minor Grade	96	91	05
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	153	147	06
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The following observations are made.

- (a) According to Pensions Fund Ordinance No.01 of 1898 and the Widows and Orphans Pension Fund Act No.24 of 1983; contributions should be made by all the employees, and the sabha should refer all the relevant documents, obtain the respective number and pay the monthly contributions. But, contributions amounting to Rs.960,188 had been sent to the Pensions Fund in respect of 73 employees without obtaining numbers.
- (b) According to Section 03 of the Pensions Circular No.4/2010 dated 26 May 2010; contributions should be paid to the Public Service Provident Fund for temporary, contract and daily paid employees who are not eligible for pension. However, action had not been according to the above requirements even though salaries amounting to Rs.270,000 had been paid to 05 Clinic Officers recruited to the Sabha from July 2014 to 2015.

3.5 Solid Waste Management

The following observations are made.

- (a) An agreement had been entered into with a private company once in 06 months for the disposal of waste gather within the area of the Sabha and adequate conditions had not been included in this agreement. The Sabha had spent a sum of Rs.13.9 million in respect of disposal of waste during the year under review.
- (b) The Sabha had not taken proper steps to plan, supervise and control the activities mentioned in section 22 of by-laws relating to solid waste management of Part IV(a) of the Gazette Extra-ordinary No.1713/11 of the Republic of Sri Lanka dated 05 July 2011 published on Solid Waste Management.

4. 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) Control over Contracts
- (e) Solid Waste Management
- (f) Assets Management
- (g) Stock Control