

MawathagamaPradeshiyaSabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 20 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 07 September 2016.

1.2 Qualified 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 MawathagamaPradeshiyaSabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) Provision had not been made in the accounts for the Audit Fees for the year under review.
- (b) Value of 17 blocks of lands amounting to Rs. 22,842,650 transferred to the Pradeshiya Sabha in allotments of lands had been omitted in the accounts.
- (c) Salary Reimbursement Revenue receivable amounting to Rs. 11,370,359 relevant to the year under review had not been accounted.
- (d) While value of 06 units of lands/buildings recorded in the Fixed Assets Register had not been estimated and accounted, action had not been taken to update the Register of Fixed Assets.

- (e) While in instances of receiving goods in bulks through Stores Receipts of the Sabha any accounting entry is not made, at the time of payment of cash for those only that value is debited to the Stores Advance account. Due to that; Creditors balances valued at Rs. 1,218,577 payable to the Creditors at the end of the year under review had been omitted from the accounts.
- (f) The Grant of Rs. 3,000,000 received under the Pradeshiya Sabha Strengthening Program had been accounted under recurrent revenue and expenditure incurred out of that had been accounted under recurrent as well as capital expenditure.

1.3.2 Non-reconciled Control Accounts

Non-reconciliations in a sum of Rs.6,088,861 were observed between the final balances in the financial statements relevant to 05 items of accounts existed at the end of the year under review and the balances existed in the corresponding subsidiary registers relevant to those.

1.3.3 Accounts Receivable

- (i) While the value of Accounts Receivable balances as at 31 December 2015 was Rs.42,292,224, out of that amount, a sum of Rs.2,298,068 had been balances outstanding for more than 03 years.
- (ii) There were 03 balances amounting to Rs. 1,149,245 existing un-recovered since a period of about prior 12 years in the balance of Accounts Receivable.

1.3.4 Accounts Payable

While the value of Accounts Payable balances as at 31 December 2015 was Rs.38,686,509 there were balances amounting to Rs. 5,003,276 existing un-settled since a period of more than 03 years.

1.3.5 Lack of Evidence for Audit

Fixed Assets Register, Board of Survey Reports, schedules relevant to 15 items of accounts valued at Rs. 188,483,608 and P.S. 07 Reports relevant to revenue were not submitted to audit. Due to that; those items of accounts could not be satisfactorily examined in audit.

1.3.6 Non-compliance with Laws, Rules, Regulations etc..

Following instances of non-compliance with Laws, Rules, and Regulations etc..are observed in audit.

Reference to Laws, Rules Regulations etc.	Non-compliance
(a) Sections 150 (i) and 152 (i) of the Pradeshiya Sabha Act No. 15 f 1987	Although lists relating to industries and trading businesses should be prepared on 31 March or before that in each year and should be submitted to the Secretary of the Sabha, action had not been taken accordingly.
(b) Pradeshiya Sabha (Financial and Administrative) Rules Series Rules 59 and 67 of 1988	A survey had not been carried out by the Sabhain terms of the regulations and identify places relevant to recovery of taxes and issue licenses for the year under review.
(c) Financial Regulations of the Republic of Sri Lanka	
(i) Financial Regulation 396	Action had not been taken in terms of the financial regulation with regard to 20 cheques valued at Rs. 187,622 issued, but not presented exceeding 06 months, according to the bank reconciliation for

December 2015 relevant to bank account No. 7626156 of the Sabha.

(ii) Financial Regulation 571

Action in terms of financial regulation had not been taken with regard to 104 Deposits balances amounting to Rs. 242,679 existing for more than 02 years.

(iii) Financial Regulation 715(2) 'a'

Various materials of a demolished building belongs to the Sabha had been improperly stacked in various places of the Sabhapremises opened to natural hazards and were getting destroyed.

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 had been Rs 4,358,324 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,865,594 indicating an improvement of Rs. 1,492,730 in the financial result. After adjustment of the Capital Grant amounting Rs. 6,552,741 and Capital Expenditure amounting to Rs. 10,944,580 to this operational result, financial result relevant to the year under review had become a deficit of Rs. 33,515.

2.2 Analytical Financial Review

(a) Actual revenue and expenditure relevant to the year under review and the preceding year and relevant variations are shown below.

Source of Revenue	<u>Revenue</u>			Expenditure Item	<u>Expenditure</u>		
	2015	2014	Variance		2015	2014	Variance
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	11,348	9,637	1,711	Personal	65,931	45,448	20,483
(ii) Others	<u>76,580</u>	<u>61,619</u>	<u>14,961</u>	Emoluments			
Sub total	87,928	71,256	16,672				
(iii) Capital Grant	6,552	16,339	(9,787)	Others	<u>17,638</u>	<u>22,943</u>	<u>(5,305)</u>
	-----	-----	-----	Sub total	83,,569	68,391	15,178
Grand Total	94,480	87,595	6,885	Capital			
	=====	=====	=====	Expenditure	<u>10,945</u>	<u>19,449</u>	<u>(8,504)</u>
Operational Result	4,358	2,865	1,493	Grand Total	94,514	87,840	6,674
					=====	=====	=====
				Surplus	(34)	(245)	211

(b) While the total Recurrent Revenue of the Sabha relevant to the year under review was Rs. 87,926,993, out of that a sum of Rs.69,046,783 or 79 per cent was revenue not falling under a nature generated in the Sabha and were receipts such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, the entire capital revenue of Rs. 6,552,741, was consist of funds provided for development works in the area of authority of the Sabha through other institutions such as sources from Gama Neguma and MagaNeguma.

(c) Out of the total Recurrent Expenditure of Rs. 83,,568,669 relevant to the year under review, a sum of Rs. 65,930,830 or 78 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 40,035,077 or 61 per cent had been received from the Commissioner of Local Government as salary reimbursements, while that amount had been accounted under other revenue. Similarly, out of the capital expenditure of Rs. 10,944,580, a sum of Rs.4,709,334 or 43 percent had been spent out of the Sabha Fund, while the balance sum of Rs. 6,235,246 or 57 percent were consist of development

activities on the basis provisions of other institutions such as sources from Gama Negum and MagaNeguma.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review and the preceding year were as shown below.

Item of Revenue	2015			2014		
	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
(i) Rates and Taxes	000 1,834	000 1,606	000 4,633	000 1,834	000 1,087	000 000
(ii) Lease Rent	8,921	5,348	2,103	9,768	2,057	4,333
(iii) License Fees	1,205	1,225	70	1,205	1,126	2,523
(iv) Other Revenue	112,840	79,749	18,888	72,110	42,586	73
Total	124,800	87,928	25,694	84,917	46,856	15,602
						22,531

2.3.2 Revenue Billed and Arrears of Revenue

Particulars are shown below.

Item of Revenue	Item of Revenue		Collections of Revenue							
	Balance of	Arrears	Total	Collection From arrears	Collection From billing	total	Out of Arrears as at 01.01.2015	Out of Billings	Balance according to computation	Balance according to Financial Statements
	Arrears as at 01.01.2015	Billings during the year								
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000				
Rates and Taxes	4,333,803	1,834,000	6,167,803	1,094,691	368,000	1,462,691	Rs. 000	Rs.000	Rs.000	Rs.000
Revenue	2,532,098	8,921,000	11,453,098	428,682	3,726,189	4,154,871	3,239,112	1,466,000	4,705,112	4,633,137
License Fees	73,400	1,205,000	1,278,400	3,000	1,221,670	1,224,670	2,103,416	5,194,811	7,298,227	2,103,416
Charges for Services	54,900	3,114,825	3,169,725	34,500	3,114,825	3,149,325	70,400	--	70,400	70,400
Warrant Charges and Fines	504,500	3,029,000	3,533,500	504,500	549,167	1,053,667	20,400	--	20,400	--
Others							--	2,479,833	2,479,833	531,833
Revenue Grants	8,843,516	2,130,500	10,974,016	8,500,000	18,117,536	26,617,536				
	6,597,311	81,360,982	87,958,293	6,387,311	42,520,411	48,907,722	343,516	--	343,516	12,321,997
							210,000	38,840,571	39,050,571	6,034,979

Balances in arrears as at 31 December 2015 according to computation do not tally with the balances in the statements of financial position due to deficiencies in the maintenance of revenue registers of the Sabha.

2.3.3 Rates

Although revenue amounting to Rs. 1,834,000 had been estimated under Rates and Tax relevant to the year under review, out of that, only a sum of Rs.368,000 or 20 percent had been recovered. Similarly, the opening arrears were Rs.4,333 while any recovery had not been made during the year out of that. Due to that the opening arrears remained same at the end of the year.

2.3.4 License Fees.

While there were 09 Three Wheeler Parks in the area of authority of the Sabha, according to information obtained at the field inspection carried out on 30 December 2015 about 70 Three Wheelers had been parked as at the date of audit. However, the Sabha had not framed rules to issue licenses for Three Wheelers and publish charges through Gazette Notifications.

03. Operating Review

3.1 Management Inefficiencies

There was a Staff Loan balance of Rs. 402,470 granted to 10 permanent employees and 15 daily paid laborers as at the end of the year under review, that had been dormant since a time range from 1 to 06 years.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) While there were 18 Sanitary Laborers in service, out of them attendance of 08 had been weak. It was observed at the physical inspection carried out on 31 December 2015 that the removal of garbage and wastes in the area of authority of the Sabha, maintenance of drains and roads in the town and cleaning of fairground are not properly done due to that. Eight Sanitary laborers of the Sabha had taken 411 days no-pay leave during the year 2015.

- (b) While land allotment plan of the ValiKumbura, DalgollaWatta of the Sabha consist of 69 allotments had been approved on 26 June 2016, allotment No. 46 in extent of 89.8 perches had been allocated as the public portion. While there about 20 coconut trees bearing nuts, action had not been taken to collect the produce. Electricity and water facilities too had not been provided for those parts.
- (c) There was a balance of Rs. 148,374 relevant 05 bank accounts of the Sabha that had been dormant during a number of years.
- (d) Although there were 11 telephone transmission towers in the area of authority of the Sabha, those had not been identified and recorded. Although Development Permits should be obtained for establishment of telephone transmission towers and certificates of conformity should be obtained after construction, in examination of issue of certificates of conformity, it was found that any certificates of conformity had not been issued a number of years for any telephone communication tower.
- (e) While 33 properties of the Sabha had been offered for lease for the year 2015, it had been able to lease only 12 assets out of those. While the assets that could not be given on lease had not been given on lease since the year 2014 alone, any income had not been earned from those assets since then up to 30 December 2015, while any course of action had not been taken to earn income. The value of the minimum bid of these 18 assets which could not be given on lease had been Rs. 410,393.

04. Accountability and Good Governance

4.1 Assets Management

4.2 Idle and Under-utilized Assets

Following matters are observed.

- (a) Two vehicles belong to the Sabha were getting decayed due to idle condition during a long period.
- (b) While any information including the year of manufacture, date of receipt to the Sabha were not available in the Sabha with regard to the Toyota type ambulance in the

Sabha premises, it was getting decayed without being registered and engaged in service even up to December 2015, date of audit.

4.3 Identified losses

Out of 506 G.I. Pipes received to the Sabha from the Ministry of Local Government and Provincial Councils during the year 2014, there was a shortage of 275 pipes at the end of year approximately valued at Rs. 550,000.

4.4 Budgetary Control

it is observed that the budget had not been made use of as an effective tool management as variations from 05 percent to 24 percent in 65 items of revenue amounting to Rs.47,298,825 were observed between budgeted position and the actual position.

4.5 Annual Procurement Plan

An Annual Procurement Plan had not been prepared by the Sabha for the year under review.

4.6 Internal Audit and Management Committees

Although 12 meetings of the Management Committee had been held during the year under review, any Audit and Management Committee meeting had not been conducted.

05. Systems and Controls

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

- (a) Accounting

(b) Budgetary Control

(c) Revenue Administration.