

Mirigama Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 26 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Mirigama Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 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 Policies

Although the lowest value accounted under the fixed assets had been deleted from the accounts, the policy adopted in accounting the fixed assets had not been disclosed.

1.3.2 Accounting Deficiencies

The following deficiencies were observed.

- (a) The value of land at Weweldeniya Pelahitiwaththa Kele handed over to the Sabha on 29 July 2016 by Deed No.268 had not been assessed and brought to account.
- (b) The expenditure incurred on flooring the building and constructing the security post of the Weweldeniya office during the year under review amounted to Rs.2,102,395. However, a sum of Rs.4,204,790 had been brought to account resulting in an overstatement of the value of land and buildings in the account by Rs.2,102,395.
- (c) Although a sum of Rs.5,677,371 should have been brought to account as the value of constructions of the building for sanitary labourers and drivers' rest room, a sum of Rs.3,792,380 only had been entered in the Land and Buildings Account.

- (d) The sum of Rs.2,037,849 spent on laying block stones in the premises of the Pradeshiya Sabha at 02 stages had not been capitalized.
- (e) Retentions of 10 percent relating to constructions of the year under review had not been capitalized and as such the value of land and buildings had been understated by Rs.375,535.
- (f) The value of the common land of the Weweldeniya Happy Land Estate auctioned during 2017 had not been assessed and brought to account.
- (g) The loan balances of tractors and trailers given on loan basis amounting to Rs.3,285,000 had been debited to the Accumulated Fund instead of the Utility Services Account.

1.3.3 Unreconcil Accounts

A difference of Rs.6,368,665 was observed between the balances of 04 items of accounts shown in the financial statements and the related balances in the subsidiary registers.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

- (i) The balances of pre payments of Rs.6,553,908 included Rs. 6,059,371 over 05 years and Rs.475,269 between 01 to 05 years.
- (ii) Action had not been taken to recover the advance of Rs.3,748,794 over paid to a private institution.
- (iii) Action had not been taken to settle the balances of 10 dishonoured cheques amounting to Rs.6,708 existing for over 04 years. Instead, this had been shown in the accounts as at 31 December 2017.

(b) Accounts Payable

The balances of creditors as at 31 December 2017 amounting to Rs.68,314,633 included Rs.3,467,230 over 02 years and less than 03 years, Rs.266,044 over 03 years and less than 04 years and Rs.2,860,797 over 04 years.

1.3.5 Lack of Necessary Documentary Evidence for Audit

Non rendition of Information for Audit

The refundable deposits of Rs.8,833,248 at the Mirigama sub office could not be satisfactorily verified in audit due to non rendition of register of deposits and age analysis.

1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
	Rs.	
(a) Special Provisions Act No.48 of 1971 relating to Local Authorities.	-	Rates and taxes should be revised with the assistance of the Department of Valuation every 05 years. But, rates and taxes had not been revised after 2008.
(b) Section 24 of the Pradeshiya Sabha Act No 15 of 1987	-	Action had not been taken to prepare a list of plans of highways belonging to the Sabha, to gazette them and to acquire ownership.
(c) Section 134 of the Pradeshiya Sabha Act No 15 of 1987 and Paragraph 4(b) of the circular of the Commissioner of Local Government No. WP/LPD/10/2008 of 19 August 2008	-	Action had not been taken to identify improved areas as far as possible and publish them so as to obtain maximum rates and taxes to the local authority.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 571(2)	4,569,824	Action had not been taken regarding deposits over 02 years.

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 2017 amounted to Rs.19,448,237 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.27,520,603.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	14,130,000	11,662,300	11,816,312	5,325,853	1,081,880	14,134,948	18,267,203	5,479,865
Rent	15,895,000	14,999,735	14,547,328	1,131,046	13,768,000	12,469,850	12,536,535	678,639
Licence Fees	1,896,100	2,201,172	2,200,172	66,775	1,507,150	1,466,145	1,471,795	65,775
Other Revenue	240,000	666,768	509,290	157,478	-	-	-	-
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	32,161,100	29,529,975	29,073,102	6,681,152	16,357,030	28,070,943	32,275,533	6,224,279
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2.2.2 Performance in collection of Revenue

The balances of arrears of rates and taxes and the rent as at 31 December 2017 amounted to Rs.5,325,853 and Rs.1,131,046 respectively. Adequate action had not been taken during the year to recover those arrears.

2.2.3 Rates

- (a) The dues to the Sabha as at 31 December 2017 as per age analysis of rates as at 31 December 2017 were, Rs.1,611,647 of 1 to 3 years, Rs.586,670 of 03 to 05 years, Rs.633,326 of 5 to 10 years and Rs.2,099,040 over 10 years.
- (b) The balances of arrears of rates due to the Sabha according to the values and the number of units appear below.

Value	No.of Units of Rates	Balanceof Arrears
-----	-----	-----
Rs.	Rs.	Rs.
Less than 10,000	3,595	2,813,433
10,000 to 50,000	33	212,455
Over 50,000	03	1,907,825
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Total	3,631	4,933,713
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2.2.4 Licence Fees

(a) Trade Licences

Applications for 1219 trade licences had been referred to the office of the inspector of public health for the year 2017. However, 1176 applications only had been approved and sent back.

(b) Industrial and Trade Tax

- (i) Examinations relating to industries to be carried out at commencement of each year had not been carried out according to Section 59 of Rule No.07 of 1988 Pradeshiya Sabha (Finance and Administration).
- (ii) The arrears of Industrial and Trade Tax as at 31 December 2017 amounted to Rs.117,758. This included balances of Rs.31,560 of 3-5 years of the Weweldeniya sub office and balances of Rs.44,530 over 05 years of the Pallewela and Mirigama sub offices.

2.2.5 Other Revenue

(a) Advertisements

- (i) The Mirigama sub office had recovered notice board charges without considering the nature and the period of exhibiting notices in spite of the fact that the required documents or specimens of notices had not been furnished for approval of such notices as required by the Gazette Extra Ordinary No.1947/6 of 28December 2015 and the Gazette Notification of the Western Provincial Council No.1978/22 (Amendment)of 03 August 2016.
- (ii) A register containing details of revenue from notice boards had not been maintained at the Mirigama sub office.
- (iii) The official stamp of the Pradeshiya Sabha had not been affixed on the notice boards after obtaining the charges for notices.

(b) Telecommunication Towers

Sixty four telecommunication towers had been identified within the authoritative area of the Pradeshiya Sabha. Action had not been taken to adopt resolutions for bye-laws in terms of the Gazette Extra Ordinary Notification No.1597/18 of 17 April 2009 to collect revenue.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 3 of the Pradeshiya Sabha Act. such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye - laws

Bye - laws should be enacted to fulfil 30 main functions under Section 126 of the Pradeshiya Sabha Act. But, bye-laws for 12 functions only had been enacted even by 31 December 2017.

(b) Action Plan

An annual action plan had not been prepared for 12 functions to be executed by the Sabha as per bye-laws enacted.

(c) Solid Waste Material Management

- (i) There was no evidence to show that there was environmental approval for the place of disposal of garbage.
- (ii) The owner of the land where the garbage had been disposed of, by the Pradeshiya Sabha should close it with soil for protection of health. However, the employees of the Sabha had transported soil to bury the garbage incurring expenditure.
- (iii) Confirmation of tippers disposing garbage could not be made from the running charts.
- (iv) Agreements for disposal of garbage had been made on the basis of time instead of specific measurements and work performed.

(d) Sustainable Development Target

The Pradeshiya Sabha was not aware of the 2030 Agenda relating to sustainable development objectives. As a result, a long term plan to uplift the living standards and health of the public of the Pradeshiya Sabha area through the global indicators to attain objectives had not been prepared even as at 08 June 2018.

3.2 Human Resources Management

(a) Approved and Actual Cadre

Grade	Approved Cadre	Actual Cadre	Vacancies
Executive	02	02	-
Tertiary	01	01	-
Secondary	46	42	05
Primary	116	90	27
Casual/Substitute/ Contract	-	26	-
28-2014 Permanent	45	43	-
Total	210	204	32

The post of health administrator, pharmacist and 2 posts of revenue inspectors remained vacant from 2009, 2015 and 2006 respectively. As such, the activities of the Sabha such as, garbage management, ayurveda treatment and collection of revenue could not be efficiently carried out.

(b) Employees' Loans

Recoveries due from 23retired officers,officers who were under suspension and officers gone on transfers amounted to Rs.294,726, Rs.195,945 and Rs.795,366 respectively.

3.3 Operating Inefficiencies

(a) Recovery of Rates

Rates had only been recovered from 6515 out of 9266 units of rates during the year 2017.

(b) Land Auctioned

According to Section 154(1) of the Pradeshiya Sabha Act, one percent of tax should be recovered from land sold in blocks. Instead, one percent of the tax assessed by the revenue controller had been recovered from 06 land sold in 2017.

(c) Lease of Stalls

Although the lease period of 241 out of 256 stalls belonging to the Mirigama sub office had expired, the Sabha had not taken action to update the agreements.

(d) Public Complaints

Proper methods had not been adopted with regard to complaints received by the Pradeshiya Sabha. As such, the number of unresolved complaints received at the Sabha could not be observed.The letters posted on decisions made alone had been entered in the register of public complaints. All complaints received had not been entered in the register.

3.4 Assets Management

3.4.1 Annual Board of Survey

(a) Follow up action had not been taken regarding 95 misplaced books valued at Rs.20,223 and 331 books valued at Rs.35,921which were beyond usage as per board of survey report of the library as at 31 December 2017.

(b) The register of fixed assets had not been updated.

(c) Title deeds were not available for the public land noted as belonging to the Sabha. Title deeds of public wells constructed by using the funds of the Sabha too were not available.

- (d) The boundaries of public land of the Sabha had not been demarcated and notice boards exhibited to show the ownership.

3.4.2 Vehicle Utilization

- (a) The becko loader machine (Holland) of the Pradeshiya Sabha valued at Rs. 4,999,500 remained inoperative since 20 April 2014. This remained in a corroded position in the premises of the Pradeshiya Sabha without being repaired and used.
- (b) A tractor valued at Rs.850,000 and a tractor valued at Rs.204,900 had not performed since 25 November 2016 and 08 February 2016 respectively. These remained parked in the premises of the Pradeshiya Sabha without any action being taken to repair them even by 25 April 2018.

3.5 Procurement

3.5.1 Procurement Plan

A detailed annual procurement plan had not been prepared in terms of 4.2.1(b) and (c) of No.8 of the Circular of the National Procurement Agency dated 25 January 2006.

3.5.2 Supplies and Services

- (a) **NECFA Computer System**

The Pradeshiya Sabha had entered into an agreement with a private institution on 03 October 2013 to purchase a software system for management of rates and taxes, miscellaneous revenue, accounting activities, stock control and street lamp sector in order to manage the office activities and Rs.1,637,000 had been spent accordingly. Although the main objective of this software system was to collect data and to perform management activities in 05 fields, management of revenue from rates only had been done upto end of the year under review.

- (b) **Purchase of Tyres**

The Sabha had purchased tyres needed for the year 2017 from an identical institution without following procurement procedures.

3.5.3 Contract Administration

According to Section No.3.1 of the State Accounts Circular bearing No.01/2012 of the Circular No PED/PMD/Clari/11/02 of 05 January 2012 of the Ministry of Finance and Policy Planning, the eligibility should be verified and confirmed by a three member committee consisting of two representatives named by the head of the department and the District Secretary while awarding

direct contracts to community based organizations. However, contracts had been awarded to community based organizations during the year under review, without doing so.

5. Systems and Controls

Defficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
(a) Revenue Administration	<ul style="list-style-type: none"> (i) Non assessment of rates and rent of stalls. (ii) Under utilized stalls (iii) Non revision of percentage of rates and taxes
(b) Budgetary Control	<ul style="list-style-type: none"> (i) Budget not practically applicable. (ii) Irregular transfer of funds among Objects.
(c) Assets Management	<ul style="list-style-type: none"> (i) Purchase and issues of stock not enterd in registers. (ii) Stocks physically not in existence being brought to account. (iii) Lack of title deeds or vesting orders to confirm ownership of assets. (iv) Non maintenance of register of inventories.
(d) Solid Waste Management	<ul style="list-style-type: none"> (i) Non recovery of garbage tax or fees. (ii) Public not made aware of, to segregate garbage. (iii) Increase in expenditure on disposal of garbage.