

**Maho Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 17 May 2019 and the Summary Report of the Auditor General on the financial statements on 24 July 2019 and the Detailed Management Audit Report on 01 August 2019 had been furnished to the Chairman.

1.2 Qualified Opinion

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Maho Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The value of 11 lands belonging to the Sabha had not been assessed and taken in to accounts.	Actions should be taken to assess the value of the lands and taken into accounts.	Actions will be taken to account for when preparing the next year's financial statements.
(b) Even though the balance payable shown in the financial statements at the end of the year under review was Rs.1,065,225 , thus the balance of the Register/ Schedule of the Creditors was Rs.660,654, there was a difference of Rs.404,571.	Actions should be taken to reconcile and correct the differences in the relevant balances.	It is accepted that there is a difference in financial statements and Schedules of Creditor's information and actions will be taken to correct this situation in future.
(c) Registers, schedules and confirmations relating to 09 accounting items totaled to Rs.43,500,123 had not been furnished to audit.	Evidences should be furnished to ascertain the balances in the accounts shown in the financial statements.	Analyzing the information presented in the absence of written evidences by the audit and will report to the audit after verification of this.

1.4 Non- compliance

Non – compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non – compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabhas (Financial and Administrative) Rules 1988			
(i) Rule 33	A list of people who had defaulted the payments and a warrant for banning property was not prepared at the end of each quarter.	Actions will be taken in accordance with the rules.	Actions will be taken not to happen such shortcomings in future.
(ii) Rule 218	All lands and buildings belonging to the Sabha had not been inspected at least once a year.	Arrangements should be made in accordance with the Rules.	Actions will be taken not to happen such shortcomings in future.
(b) Circular No. IAI / 2002/02 of 28 November 2002 of the Secretary to the Treasury	A separate Register of Fixed Asset had not been maintained on computer equipment and software.	Actions should be taken in accordance with the circular instructions.	Actions will be taken not to happen such shortcomings in the future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 was Rs.5,682,032 as compared to the corresponding revenue over recurrent expenditure for the preceding year was Rs.7,884,906.

2.2 Revenue Administration

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

Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding years are as follows.

Source of Revenue	<u>2018</u>				<u>2017</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs..	Rs.	Rs..	Rs..	Rs.	Rs.	Rs..
I. Rates and Taxes	5,804,712	5,641,448	4,601,969	4,065,414	4,880,275	5,773,310	4,917,781	3,036,671
II. Rent	12,375,000	12,642,792	12,549,490	186,182	12,875,000	10,620,991	10,979,715	133,231
III. License fees	956,000	880,710	880,434	-	846,000	-	917,759	-
IV. Other Revenue	106,272,000	76,439,538	62,259,370	78,642,869	18,341,000	-	18,764,386	43,306,407
Total	125,407,712	95,604,488	80,291,263	82,894,465	36,942,275	16,394,301	35,579,641	46,476,309

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
The arrears of rates as at 31 December of the preceding year amounted to Rs.2,827,256 had increased up to Rs.3,651,635 .	Arrangements should be made to recover the arrears of taxes.	Comments had not been given.

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
The arrears rent amounted to Rs.2,775, by the end of the year under review was a balance remained from the year 2008 and the arrears stall rent as at 31 December of the year under review was Rs. 183,407 .	Actions should be taken to recover the balances receivable.	Comments had not been given.

03. Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people are as follows.

(a) By-Laws

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although there were statutes to be enacted to fulfill 30 main things under Section 126 of the Pradeshiya Sabha Act, the Sabha had adopted of the Standard by-laws formulated by the Minister, actions had not been taken to enact by-laws as per the requirement of the Sabha.	Arrangements should be made to enact by-laws on the necessity of the Sabha and to carry out the activities as per the Standard by-laws adopted by the Sabha.	Steps will be taken to enact by-laws in future.

(b) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Sabha was made aware of the 2030 Agenda on Sustainable Development Goals and the projects had been implemented for four identified Sustainable Development Goals.	Actions should be taken to achieve the Sustainable Development Goals.	Comments had not been given

3.2 Management Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>(a) The balance payable to the Government Pension Fund Account as at the end of the year under review was Rs. 4,012,763.</p>	<p>Actions should be taken to identify and pay.</p>	<p>Although it has been requested to provide a confirmation as to which employees are entitled to this payment, the payment was delayed because it was not received. Since it is not possible to pay such a large sum of money, steps will be taken to pay the balance considering the financial situation.</p>
<p>(b) Out of the balance receivable amounted to Rs. 91,120,052 by the end of the year under review, age analysis had not been furnished for a sum of Rs. 37,928,067. Within the accounts receivable, there were the balances information that had not presented for a long time such as an advance amounted to Rs.6,098,770 , a general advance balance amounted to Rs. 559,990 and, a receivable from the Central Environmental Authority amounted to Rs.761,854 and a total of Rs.46,283,404 exceeding a period of one year as well.</p>	<p>Actions should be taken to recover the outstanding balance.</p>	<p>The analysis relating to the accounts receivable are being prepared and although the projects have been completed obtaining money as advances for the projects, such a balance was shown since those were not settled. Arrangements are being made to settle the situation at present.</p>
<p>(c) Out of the balances of accounts payable amounted to</p>	<p>Actions should be taken to settle the payable balances.</p>	<p>Actions will be taken to settle the industry creditors and deposits to be repaid by</p>

Rs.61,745,451 as at 31 December 2018, age analysis for a sum of Rs.18,951,330 had not been furnished and there was a balance of industry creditor amounted to Rs. 28,109,578 for more than 03 years.

checking the details and information relevant to accounts payable and if there is a balance that is no longer settled, to be adjusted and correct them.

(d) Due to not obtaining of electricity and the shortcomings in the doors at the Mahawa Public Market, as failure to rent out shops for more than 2 years at least the revenue amounted to Rs.3,276,000 had lost.

Actions should be taken to make earnings from the properties of the Sabha.

Necessary steps are being carried out taken to provide electricity supply by now to the after the discussion with the Ceylon Electricity Board and it is mentioned that it will be able to open the shops for businesses supplying of electricity speedily.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to the suspension, transfer and vacated on posts , the long-term unrecoverable loan balance was Rs.208,863 .	Actions should be taken to recover the loan balance	Necessary arrangements are being made to recover the employee loans which were not being recovered.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Due to not charging of fees from 07 telephone/telecommunication towers	Actions should be taken to charge the fees.	The Gazette Extraordinary No. 1597/8 dated 17.04.2009 has been issued for urban

which were erected in the 2009 and later in terms of the Gazette Extraordinary No. 1597/8 of 17 April 2009, the council had lost approximately more than Rs. 152,000 revenue.

development and sacred area development by the Minister for under Section 8 of the Urban Development Authority Act No. 41 of 1978 and the Local Authorities are not legally able to charge fees as per that Gazette notification.

- (b) The approval of the Telecommunication Regulatory Commission had not approved the construction of the Towers belonging to Celltel Lanka (Pvt) Ltd, which is located near the Ambanpola Mosque the Sabha had approved the plans before. Even though it had been informed to stop the construction later on, the towers had been installed and legal actions had not been taken thereon.
- Actions should be taken to remove constructions carried out without the approval of the Sabha.
- By letter dated 02.11.2006 and the letter of the Telecommunications Regulatory Commission of Sri Lanka to the Celltel Company dated 21.11.2006, the Secretary has informed to stop the construction and also by the Hon. Chairman to halt the construction on 11.01.2007 had mentioned if it does not, legal actions would be taken, it is informed that there was no legal action taken when checking the files.
- (c) The total of is Rs.932, 400 had been charged on various rates from each companies from 07 towers without imposing by-laws up to certain rates.
- Actions should be taken to charge fees on a specific basis as per the Gazette Notification referred to in (a) above or enacting by-laws by the Sabha.
- A sum of Rs. 200,000 / - for the Mahawa Tower at Daladagama, belonging to Bharti Airtel , a sum of Rs.115,000 for the tower belonging to Hutchison Telecom Lanka (Pvt.) Ltd. and Lanka Bell (Pvt.) has been recovered and there is no record of how the money was recovered. A sum of Rs. 8000 has been charged as per the files for the tower belonging to Celltel Lanka (Private) Limited in Anuradhapura Road Ambanpola and the tower belonging to the Mahawa Dialog Company.

04. Accountability and Governance

4.1 Submission of Financial Statements

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the Annual Financial Statements should be submitted to the Auditor General before 31 March 2019, it had been submitted for audit on 17 May 2019.	Financial statements should be submitted on due date as per the applicable instructions in Rules.	Comments had not been given.

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the Sabha had appointed an Internal Auditor, he had been entrusted with other duties and had not carried out an internal audit.	The internal audit should be carried out in terms of Financial Regulation 134.	It is informed that the actions will be taken to occupy the Internal Auditor to be independent as far as possible.