

Mawanella Pradeshiya Sabha
Kegalle District

1. Financial statements

1.1 Submission of Financial Statements

The Financial Statements for the year 2018 had been presented to audit on 25 February 2019 and the Summary Report of the Auditor General on this Financial Statement and Detail Management Audit Report were sent to the Chairman on 31 May 2019.

1.2 The Qualified Opinion

In my opinion, except for the effects of the matters described in basis for the qualified opinion section of this report, the Financial Statements give a true and fair view of the Financial Position of the Mawanella Pradeshiya Sabha as at 31 December 2018 and its Financial Performance and financial positions of the year then ended in accordance with Generally Accepted Accounting principles.

1.3 The basis for the Qualified Opinion

(A) Accounting deficiencies

	Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	The Rural Infrastructure Development Program had Rs.5,967,872 creditors balance as at 31 December 2018, but in the financial statements it had been stated as Rs.5,697,872.	Financial statements should be corrected	Since there has been a mistake it will be corrected in 2019 account preparation.
(ii)	Although the court had determined in year 2008 and 2013 not to pay Rs.11,902,981 payments to be paid to a construction contractor categorized under creditors the adjustments had not been made in the financial statements for the year under review.	Financial statements should be corrected having done the necessary adjustments.	It will be corrected when preparing the final account for 2019.

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| (iii) | Rs.139,200 paid to prepare 2015 stamp fees schedule in the year under review had been debited to the expenditure heads and had to be paid in respect of year 2016 had accounted Rs.53,500 less. | Financial Statements should be corrected | Action will be taken to corrected when preparing the final account for 2019 and not to do such mistakes again. |
| *(iv) | The excavator machine mentioned in the fix assets register, worth of Rs. 587,289 had not been accounted. | Fix assets should be accounted correctly | It will be corrected in future. |

(B) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was a difference of Rs. 279,569 between the financial statements balances and the supporting documents / report balances for the four accounting subjects.	Balance should be compared and corrected.	There is no information available to settle weekly fare charges and work is being done to correct the employee's loans. The library book balance and the balance of Ayurvedic Drugs an error has occurred causing mathematical error.

(C) Accounts Receivable and Payable

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The council had failed to reimburse salaries of Rs. 152,140 continued from 2003.	Action must be taken to recover the long-standing balance	The Chief Ministry will be consulted and measures will be taken to reimburse them.
(ii) At the end of the year under review the total amount of accounts receivable balances exceeding one year was Rs.59,110,826.	Actions should be taken to recover	Action will be taken to recover the revenue joint withthe Revenue Division.

- (iii) The total outstanding balance of accounts payable in the year under review was Rs. 18,793,555. Action should be taken to settle the outstanding balances. Action will be taken to settle the accounts having directed and after the decisions taken by the General Assembly in the year 2019.

1.4 Non-compliance

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

Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment by the Accounting Officer
(A) Section 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 and the Rules 33 of the Pradeshiya Sabha (Finance and Administration) of 1988	Due to the failure of the House to pay the assessment tax and the acreage tax, the balance of Rs.8,670,894 as at December 2018 outstanding and the assessment tax balance of Rs. 2,784,879 were outstanding from exceeding one year.	Action should be taken to recover arrears.	Prohibition of property has been done in accordance with the prescribed plan every quarter. Also, the public is constantly informed about the payment of assessments at the beginning of the year, about getting discounts, fines in case of delay in payment and prohibiting property by law.
(B) National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000	Validity Period 346 enterprises over 3 years have not been charged Rs. 136,000 for issuing environmental permits.	Shall act in accordance with the Act.	Necessary action will be taken to find out about this.

- (C) Financial Regulation of the Democratic Socialist Republic of Sri Lanka
- (i) 571 (2) of the Financial Regulations.
- Since 2007 until 2015, no action had been taken on 150 deposits of Rs.2,379,682.
- Work in accordance with financial regulations.
- The public has been informed by a newspaper advertisement on March 13, 2019 to get back the expired deposits. However, as no one has come forward, action will be taken to take the money as revenue.
- (ii) Financial Regulations 571 (3)
- From 2014 to 2016, a total of Rs. 547,843 remittances to external parties had been kept in the General Deposit Account.
- Action should be taken to clear the accounts.
- Rs. 1,175 to be paid to the Inland Revenue Department have been submitted for approval. An amount of Rs. 538,876 the pension has been retained for transferring to widows '&orphans' accounts.
- (iii) Financial Regulations 1646
- The running charts of 23 vehicles in the council had not been submitted for audited.
- Action should be taken in compliance with Financial Regulations.
- Running Charts have not been submitted regularly for many years. Action will be taken to submit monthly summary of all vehicles for audit in the month of January this year.
- (D) Section 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016
- Fuel consumption test had not been carried out on 8 vehicles in the Sabha.
- Action should be taken according to the circulars.
- A program has already been prepared for the purpose.
- (E) Section 02 of the Local Government Commissioner's Circular No. 1988/22
- No assessment has been carried out after 2009.
- Action should be taken according to the circulars.
- Officers of the Department of Valuation are to be notified to conduct a new survey.

- dated May 17, 1988
- (F) Section 1.11 of the Sabaragamuwa Local Government Commissioner's Circular number 01/2009 dated 09/03/2009
- In the case of interim lease, a fee of twenty-five thousand rupees should be charged from the sub-lender, but that fee had not been charged from 43 stalls.
- Action should be taken according to the circulars.
- After receiving the Governor's approval, action will be taken to recover 25% of the key money charged in initial steps for the shop.

2. Financial Review

2.1 Financial results

According to the financial statements presented in the year ended on 31 December 2018 recurrent expenditure exceeding the revenue of the Council was Rs. 44,599,893 and correspondently, the revenue exceeding recurrent expenditure amounted to Rs. 47,963,859 over the previous year

2.2 Revenue Administration

2.2.1. Estimated Revenue, Billed Revenue, Accumulated Revenue and Arrears

Details of Estimated Revenue, Billed Revenue, Collected Revenue, Accumulated Income and Arrears of Revenue for the year under review are as follows.

income Source	<u>2018</u>				<u>2017</u>			
	Estimated Income	Billed Income	Income collected	Total deficit as of December 31st	Estimated income	Billed income	Income collected	Total deficit as of December 31st
	Rs. '000	Rs'000	Rs. '000	Rs. '000	Rs '000	Rs '000	Rs. '000	Rs. '000
Assessment and Taxes	15,609	11,201	13,115	8,671	15,304	11,760	13,948	10,055
ent	32,307	26,773	25,194	5,156	27,859	26,397	23,144	3,575
License fee	3,400	682	682	-	2,675	2,350	2,718	-
Other Income	129,005	143,029	118,530	93,067	108,712	93,200	52,868	102,553

2.2.2. Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
In the arrears shop rental of Rs. 3,307,536 the money Rs. 50,350 for 25 stalls to be paid from 1999 to 2014 at the Hingula shopping complex and Rs. 1,607,775 of shop rentals exceeded more than one year for the seven stalls at Hemmatagama had been included.	Action should be taken to recover the arrears.	At the Hingula Shopping Complex Rs. 50,350 more to be recovered and as of the constructions of Hemmathagama shopping complex has been stopped, key money can't be recovered. Action will be taken to make the General Assembly aware of this and take further actions.

2.2.3 Other Income

Audit Observation	Recommendation	Comments of the Accounting Officer
Other Income Deficit Balance for a period of one year is Rs. 2,308,318, for the year under review, 16 fixed display boards amounting to Rs. 344,240 and 15 temporary display boards worth Rs. 10,800 had not been recovered.	Action should be taken to recover the arrears.	A By-Law has been drafted and forward for approval to take legal action to recover the arrears of the display boards and the display boards were removed on January 23, 2019, as there is no legal procedure for charging for temporary display boards.

2.2.4 Court fines and stamp fees

Audit Observation	Recommendation	Comments of the Accounting Officer
The court fines of the Chief Secretary of the Provincial Council and other authorities by 31 December 2018 was Rs. 8,412,870 and stamp duty was Rs. 76,781,068 in the year of review and the balances exceeded one year were Rs. 4,501,875 and Rs. 46,127,128 respectively.	Action should be taken to recover the arrears.	Stamp fees Rs. 239,753 received on 5th April 2019. The balance to be charged has been sent to the Provincial Council in writing.

3. Operational review

3.1 Performance

The following are the findings of the functions of the Council for the regulation, well being , convenience and control of public health, public utility services and public roads under section 3 of the Pradeshiya Sabha Act.

(A) By-Laws

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although by-laws should be enacted for the fulfilment of four major matters under Section 126 of the Pradeshiya Sabha Act by December 31, 2018, already only two by-laws have been enacted.	By-laws should be enacted as applicable.	Necessary measures are being taken to enact the by-law of solid waste management.

(B) Action Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Six activities outlined in the Annual Plan have not been fulfilled.	Work should be done according to plan.	Not Answered

(C) Solid waste management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Capital Expenditure on Solid Waste Management from 2014 to 2018 Rs.13,558,532 and recurrent expenditure Rs.169,514,03 had been paid but earned only Rs. 2,415,786 income.	Waste management must be managed to generate revenue while minimizing environmental damage.	Some of the revenue generated from the sale of fertilizer through composting of decaying garbage, and proceeds from the sale of non-decaying waste are also made.

(D) Environmental issues

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to lack of a suitable place for disposal of gully waste the gully service has been stopped in 2018.	Public services should be carried out with appropriate measures.	To date, the council does not have a suitable place to dispose of garbage. After the audit pointed out the damage to the environment by disposing of the waste into the open ground at present the sewage are not taking.

(E) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the Council is aware of Agenda 2030 for Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people of the area are not yet worked out by February 2019 through the Global Indicators to achieve those objectives.	Long-term plans need to be worked out.	It is proposed to prepare long term plans in this regard.

3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(A) There were 149 approved staff and 117 actual staff, 33 vacancies in 17 categories of posts and one surplus. In addition, 07 casual workers and 38 workers had been recruited on contract.	Vacancies should be fulfilled and staff should be managed properly.	Due to the high population of the city, the provincial council is requested to increase the number of posts due to the recruitment of employees on daily wage basis.

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| (B) Although the approved vacancies are 20 related to five approved positions in the fire brigade, seven had been recruited on a casual basis and the fire brigade had not been formally established as per the fire employee service minutes. | Steps should be taken to establish the fire brigade properly. | The numbers of the post of fire brigade unit have been approved by the Provincial Council and necessary applications will be submitted to the Provincial Council for their absorption. |
| (C) The outstanding loan balance of three employees who retired and left the service in 2006 and 2007 was Rs. 64,489. | Action should be taken to recover the balance due. | Action will be taken to recover the amount. |

3.3 Operating inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The public toilet of Mawanella Bus Stand has been closed to the public since 2014 due to leakage of contaminated water.	Action should be taken to meet public needs.	Measures are being taken to address the needs of the public under the Urban Development Program.

3.4 Asset Management

3.4.1 Idle / Underutilized Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(A) Four vehicles valued at Rs. 2,143,860 that have been inactive for one to nine years have failed to be repaired or used.	Assets should be utilized effectively.	Action will be taken to auction vehicles in future.
(B) The brawl machine provided by the Central Environmental Authority for the Solid Waste Management Project of 2017 has not been used.	It should be utilized effectively.	Action will be taken having investigated the matters in future.

4. Accountability and good governance

4.1 Budgetary control

Audit Observation

Rs.44,909,000 of the 39 budget items allocated by the Budget for the year under review in its entirety and of the Rs.23,342,965 provisions in the 20 spending categories, 85 percent had been 99 percent and Rs. 68,251,965 had not been utilized.

Recommendation

Budget estimates need to be made more practically.

Comments of the Accounting Officer

Action will be taken to control costs through the internal control system.

4.2 Audit and Management Committees

Audit Observation

No audit and management committees had been held during the year under review.

Recommendation

Action should be taken to conduct Audit and Management Committees.

Comments of the Accounting Officer

It is informed that action will be taken to hold Audit and Management Committees in May 2019.