

**Maho Pradeshiya Sabha
Kurunegala District**

01. Financial Statements

1.1 Submission of Financial Statements

The financial statements for the year 2019 had been presented to audit on 30 March 2020 and the Summary Report of the Auditor General on those financial statements on 10 June 2020 and the Detailed Management Audit Report on 22 July 2020 have been sent 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 2019 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
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(a)	The Ambakolawewa Pre-School valued at Rs. 441,353 and the Valaliya Library Building amounted to Rs. 1,143,391 which had been indicated in the Register of Fixed Assets had not been accounted for.	Actions should be taken to be properly accounted for.	It informed that those values will be brought to accounts in the year 2020.
(b)	The balance of Rs. 259,861 receivable on vehicle rent for the year under review had not been mentioned in the financial statements.	Actions should be taken to arrears balances to be accounted for.	It is stated that it was not included in the financial statements.

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| (c) | The opening creditor balance for the year under review was Rs. 1,065,205 and since a sum of Rs. 2,559,501 was paid to the creditors during the year, Rs. 1,494,296 had been paid in excess of the credit balance. | Arrangements should be taken to prepare financial statements accurately. | A value to be credited to the Industrial Credit Account has been entered under Public Supplies by mistakenly. |
| (d) | Although general supply credit balance was Rs.1,827,626 as per the list of creditors, it had been brought to accounts as Rs.271,310 at the end of the year under review. | Arrangements should be taken to prepare financial statements accurately. | Although a difference has been shown because of the information is exchanged and recorded it is noted that there is no such difference. |
| (e) | Although the revaluation amount of children's park furniture and fittings at the end of the year under review was Rs.1,312,500 it had been shown as Rs. 3,112,500 in the financial statements. | Arrangements should be taken to prepare financial statements accurately. | It is stated that this value will be adjusted in accounts in future. |
| (f) | Even though the balance as per the Industry Debtor Registers at the end of the year under review was Rs.33,889,184, it had been shown as Rs.35,091,662 in the financial statements. | Arrangements should be taken to prepare financial statements accurately. | It is stated that the value shown as industrial debtor in the financial statements amounting to Rs.35,091,662 is correct as per the information submitted for the accounts. |
| (g) | Because it was failure to submit the required information relating to 11 accounting items valued at Rs.17,363,032, it could not be satisfactorily verified in audit. | Arrangements should be made to produce written evidence confirming the account balances shown in the financial statements. | These documents could not be submitted for audit due to the circumstances prevailing at the time of the audit,. |

1.4 Non-compliances

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

Instances of Non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

References to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
----- Financial Regulation 371 (5) of the Democratic Socialist Republic of Sri Lanka	----- The advances had not been settled.	----- Actions should be taken in terms of Financial Regulations.	----- Although the relevant advance has been obtained for the festival expenses and the expenses have been borne, and it is stated as unsettled due to non-settle of the relevant advance, it is stated that they have been spent on the relevant work.

1.5 Transactions not Ascertained by Adequate Authority

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) The bus stop construction stock which is remaining in the financial statements over many years, amounted to Rs.541,322 had been debited to the accumulated fund without formal approval.	----- Actions should be taken to remove from the accounts with formal approval.	----- Although it had remained in financial statements for many years, as the stock of bus station construction, which had been in the financial statements for many years but does not exist physically is a fake asset, the it has been removed from the documents and updated with the approval of the Sabha.

(b) An Industrial Credit Balance outstanding for many years amounted to Rs. 4,887,933, Unsettled Advances of Rs.6,658,760, Debtor balance in the name of the Central Environmental Authority amounting to Rs. 761,854, an Industrial Debtor Balance of Rs. 4,434,019 and the balance of Rs. 245,724 mentioned as bills over the years for 16 rates units had been removed from the books without formal approval.

Necessary corrections should be made with formal approval.

Although the information mentioned in the audit query is a long-standing creditors, debtors and advance balances, there is no evidence in the Sabha to ascertain that information. Therefore, it is stated that actions have been taken to remove from the documents to update the documents in accordance with Decision No. 03 of the Monthly General Assembly held on 10.03.2020.

02. Financial Review

2.1 Financial Results

The income over the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs. 4,904,343 and the corresponding income over the recurrent expenditure after making corrections of the preceding year and reissued was Rs. 5,682,032 as per the financial statements presented.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed income, Collected Income and Arrears Income

The information on estimated income, billed income, collected income and arrears income submitted pertaining to the year under review and the preceding year are shown below.

Source of Income	<u>Year 2019</u>				<u>Year 2018</u>			
	Estimated Income	Billed Income	Revenue collected	Total arrears as at 31 December	Estimated Income	Billed Income	Revenue collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
I. Rates and Taxes	5,379,712	5,853,348	6,110,870	3,760,225	5,804,712	5,641,448	4,601,969	4,017,748
II. Lease Rent	13,775,000	13,172,540	12,551,835	806,887	12,375,000	12,642,792	12,549,490	186,182
III. License Fees	776,000	838,930	838,930	-	956,000	880,710	880,434	-
IV. Other Income	95,669,395	82,464,940	96,674,282	16,744,013	106,272,000	76,439,539	62,259,370	30,958,355
Total	115,600,107	102,329,758	116,175,917	21,311,125	125,407,712	95,604,489	80,291,263	35,162,285

Note

Within the value of revenue collected in 2018 and 2019 the arrears receipts relating to for the previous years had also included. Out of the revenue collected in 2019 a sum of Rs. 25.7 million was relevant to the previous year.

2.2.2 Rates and Taxes

	----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a)	Actions had not been taken to charge sum of Rs. 418,200 receivable from 216 business units at the end of the year under review in terms of Section 152 (4) of the Pradeshiya Sabha Act No. 15 of 1987.	Actions should be taken to recover in accordance with the provisions of the Act.	It is stated that legal action has been commenced against non-payers of business tax and industrial tax under Section 152 (4) of the Act.
(b)	Actions had not been taken to inspect the new constructions made after the assessment of the property in 2012 and to obtain the valuation reports and to charge rates.	Actions should be taken. New construction should be assessed and fees charged.	The position stated in the audit is accepted.

2.2.3 Other Revenues

	----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
	A water income balance of Rs. 199,633 was receivable from 176 consumers at the end of the year under review.	Action should be taken to recover the fees within the stipulated time.	It is stated that further steps will be taken to recover that arrears.

2.2.4 Court Fines and Stamp Fees

	----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
	The court fine receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs. 1,895,550 .	Actions should be taken to recover the arrears.	Actions will be taken to recover.

03. Operating Review

3.1 Performance

The matters revealed in respect of executing of functions that should have been performed by the Sabha such as regulation, control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 3 of the Pradeshiya Sabha Act are as follows.

Failure to Perform Tasks

Audit Observation	Recommendation	Comments of the Accounting Officer
Four industries budgeted for the year under review amounting to Rs.8,600,000 had not been completed.	Attention needs to be drawn to perform budgeted industries.	Those work items had to be postponed by not being able to procure adequate financial provision. Nevertheless, it had been included in the 2020 budget considering the requirement.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Actions had not been taken to recover a sum of Rs.6,269,982 out of the balance receivable for one year or more than that at the end of the year under review.	Action should be taken to recover the balances receivable.	It is stated that a programme will be formulated and implemented to recover the receivables, including the arrears receivable to the Sabha in future.

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| (b) | Actions had not been taken to settle the total balance payable amounting to Rs.8,764,263 over an year and more than that at the end of the year under review. | Actions should be taken to settle the balances payable. | Actions will be taken to settle the creditor balances for more than one year according to the financial position. |
| (c) | Actions had not been taken to identify and refund the refundable deposits or take into income out of the deposit of 5,258,518 at the end of the year. | Actions should be taken in terms of the F.R 571. | It is stated that the actions will be taken to calculate only the non-refundable deposits out of the deposits mentioned in the query to consider to the income. |

3.3 Human Resource Management

(a) Employee Vacancies

Audit Observation	Recommendation	Comments of the Accounting Officer
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There were 22 vacancies in approved posts at the end of the year under review.	Actions should be taken to fill the essential vacancies.	Approval has been requested from the Chief Secretary to fill the vacancies. It is stated that recruitments can be made after receiving the approval.

(b) Employee Loans

Audit Observation	Recommendation	Comments of the Accounting Officer
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There was a debtor balance of Rs.343,011 from 10 officers due to interdiction, transfer, deceased and dismissal at the end of the year under review.	Actions should be taken to recover the debts.	Every possible effort is being made to recover the arrears. It is kindly stated that this activity has been delayed due to practical issues such as the problem of finding some employees.

3.4 Assets Management

3.4.1 Non-acquired Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Actions had not been taken to acquire 07 vehicles used by the Sabha valued at Rs.11,145,000 and 45 lands which the values were not mentioned.	----- Arrangements should be made to take over.	----- Necessary arrangements are being carried out to take over vehicles and requests have been made to the Divisional Secretary to take over public lands. Those activities are being functioned.

3.4.2 Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) Two vehicles valued at Rs.362,500 owned by the Sabha was in idle for many years.	----- Actions should be taken to repair or remove idle assets.	----- It is stated that the Vehicle Disposal Board of the North Western Local Government Department has been informed regarding the disposal of vehicles mentioned here.
----- (b) The Sabha had lost at least Rs. 2,583,000 rental income due to non-leasing of the shops by completing the shortcomings even by 31 December 2019 in the Mahawa Public Market Complex constructed by the Western Provincial Road Development Authority and given to the Sabha on 22 September 2016 .	----- Actions should be taken to fill the existing shortcomings and expedite the revenue generation activities of the Sabha.	----- It is stated that all these sales stalls have been provided with electricity at present.

3.5 Procurement

Supplies and Services

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) The quotations for procurement of a Generator for the Crematorium of the Sabha valued at Rs.151,900 and a Toner amounted to Rs. 99,650 had been opened before the last day of bidding.

Arrangements should be made in terms of Procurement Guidelines .

It is stated that steps will be taken to ensure that not to occur such shortcomings in future and also steps will be taken to make aware of the relevant officials in respect of the subject.