

Mawanella Pradeshiya Sabha
Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 27 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 16 July 2020 and on 28 August 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for 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 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 fixed deposits interests relating to the year under review had been understated by Rs.2,018,711.	The interest revenue should be confirmed correctly and should be brought to account.	That will be rectified in the financial statements for the year ended 31 December 2020.
(b) A sum of Rs.3,300,000 deposited in the Urban Development Authority to acquire a land in extent of 7 acres had been capitalized under land and buildings before the acquisition of the said land.	Should be acquired and capitalized.	That will be rectified in the financial statements for the year ended 31 December 2020.
(c) A difference of Rs.2,904,603 was shown between the balance as per financial statements relating to 02 items of accounts in the year under review and as per the subsidiary registers relating to that.	Financial statements and the subsidiary registers should be reconciled.	Action will be taken to rectify the staff loans when preparing final accounts in the year 2020. The bank had not presented the relevant bank reports in respect of fixed deposits.

- (d) The detailed schedules for library books valued at Rs.6,055,573 had not been furnished. The evidence to establish the accounts balances should be furnished. In submission of final accounts of the year 2020 the schedules as well will be furnished.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Inland Revenue Act No.24 of 2017 (Sections 86 and 87)	Pay As You Earn Tax amounting to Rs.184,000 had not been recovered and remitted.	Action should be taken in terms of the provisions of the Act.	The accuracy will be confirmed and action will be taken thereon.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 371(c)	Four ad-hoc sub-impressts existed from the year 2009 and 01 imprest existed from the year 2017 totalling Rs.255,161 had not been settled.	Action should be taken in terms of Financial Regulations.	Action will be taken to rectify in preparing final accounts of the year 2020.
(c) Public Administration Circular No.291 dated 21 May 1985 Paragraph 3.2 (a)	When withdrew the option of an officer who had expressed her option to contribute under the Widows and Orphans Pensions Scheme the contributions from 01 January 1982 to August 2019 amounting to Rs.382,884 had not been recovered.	Action should be taken in terms of the Circular.	The pension file of the officer is available in the office of the Commissioner of Local Government Sabaragamuwa at the moment.

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 2019 amounted to Rs.124,649,146 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.44,599,894.

2.2 Revenue Administration

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

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2019				2018			
	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	15,732,365	13,544,942	12,390,577	7,873,421	15,609,000	14,904,164	13,115,000	8,671,000
ii. Lease Rent	34,819,400	30,516,529	29,993,888	5,091,631	32,307,000	28,094,330	25,194,000	5,156,000
iii. Licence Fees	3,850,280	3,299,313	1,386,207	2,094,808	3,400,000	3,620,247	682,000	-
iv. Other Revenue	65,613,000	47,037,127	81,603,701	47,186,789	52,465,000	46,132,288	40,407,975	95,700,453

2.2.2 Rates and Taxes

(a) Rates

Audit Observation

The balance of arrears of rates as at the end of the year under review amounting to Rs.7,873,421 had included a sum of Rs.3,691,227 remained for over a period of 04 years.

Recommendation

Action should be taken in terms of the Pradeshiya Sabha Act.

Comments of the Accounting Officer

All efforts are being made to reach the optimum level at the moment.

(b) Acreage Tax

Audit Observation

The balance of acreage tax as at the end of the year under review amounting to Rs.175,261 had included a sum of Rs.64,944 remained for over a period of 04 years.

Recommendation

Action should be taken to recover arrears of acreage tax.

Comments of the Accounting Officer

All efforts are being made to recover acreage tax.

2.2.3 Lease Rent

Audit Observation

The balance of arrears of trade stall rent as at the end of the year under review amounted to Rs.3,541,395 and a sum of Rs.2,837,322 out of that had remained in arrear for over a period of 04 years.

Recommendation

Action should be taken to recover arrears of rent immediately.

Comments of the Accounting Officer

All efforts are being made to recover the arrears.

2.2.4 Licence Fees

Environmental Licences

Audit Observation

In terms of National Environmental Act No.47 of 1980 as amended by the Act No.56 of 1988 and No.53 of 2000 and the regulations enacted under it, action had not been taken in respect of 40 industries whose licences were expired and the licences had not been issued even by the end of the year under review for 07 business institutions who applied to obtain environmental licences. As such a revenue of Rs.188,000 had been deprived of by the Sabha. Further, a timely evaluation in respect of the effect made to the environment from above industries had not been carried out as well.

Recommendation

Action should be taken in terms of the Act and the regulations enacted under it.

Comments of the Accounting Officer

A sum of Rs.136,000 had been recovered out of the money to be recovered amounting to Rs.324,000 and a sum of Rs.188,000 had to be further recovered.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services and thoroughfares and the comfort, facilities and wellbeing of the people under section 3 of the Pradeshiya Sabha Act are given below.

(a) Performance Report
Audit Observation

Recommendation

**Comments of the
Accounting Officer**

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| (i) | According to the Performance Report, the achievement of expected performance outcomes of 03 indicators, in accounts Section, 06 indicators, in revenue Section 11 indicators in development Section and 10 indicators in library Section were less than 50 per cent. | Action should be taken to achieve expected performance outcomes. | An effort is being made to manage performance in line with the Action Plan in the year 2020. |
| (ii) | According to the compliance report of the Performance Report, the matters such as valuation of properties failure to ensure security of assets, failure to prepare Register of Losses and Damage, informal waste disposal, staffing, installation of a hall electric system providing internet facilities to the people had not been performed. | Action should be taken to perform the non-compliances of the performance report. | Effort will be made to handle these activities properly in the year 2020. |

(b) Solid Waste Management
Audit Observation

Recommendation

**Comments of the
Accounting Officer**

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	About 30 tons of mix waste is collected daily and the waste could not be categorized due to shortage of staff.	Remedies for manpower shortage are needed.	When collection of waste the waste has been categorized as bio degradable and solid waste and collected at present.

3.2 Management Inefficiencies

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

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	Even though a sum of Rs.3,107,312 had elapsed for over 05 years out of the balances of payable accounts as at the end of the year under review amounting to Rs.67,672,322, action had not been taken to identify those balances and to settle.	Action should be taken to settle the payable balances.	Most of the accounts balances payable are to be paid on the requests.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>There were 31 vacancies in 15 categories of posts and one post had remained in excess. The approved cadre relating to 05 posts of the fire brigade unit had been 20. Even though there were 12 fire fighters in the approved cadre, only 07 casually recruited workers were employed. Similarly, the post of Field Overseer of the Sabha as well had remained vacant from 03 April 2017.</p>	<p>-----</p> <p>Action should be taken to fill the essential vacancies.</p>	<p>-----</p> <p>Twenty three out of 31 vacancies are filled by the Sabaragamuwa Provincial Service Commission and the remaining 08 posts should be filled by the Sabaragamuwa Provincial Chief Ministry on a permanent basis.</p>

3.4 Assets Management

3.4.1 Assets not Vested

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Action had not been taken even by the end of the year under review to transfer a cab vehicle received from the Ministry of Provincial Councils and Local Government in the year 2015.</p>	<p>-----</p> <p>Action should be taken to transfer the ownership.</p>	<p>-----</p> <p>Necessary action is being taken to transfer the ownership of the cab vehicle at present.</p>

3.4.2. Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>(a) The bale machine valued at Rs.804,232 provided by the Chief Ministry under a project of the Central Environmental Authority in the year 2017 had remained idle.</p>	<p>-----</p> <p>A method that can be utilized should be identified.</p>	<p>-----</p> <p>The bale machine is not used due to insufficient number of workers and because the difficulty of sorting and selecting polythene from pure condition.</p>
<p>(b) The basic requirements of the 7930 square feet large Theater such as curtains, window coverings, a lighting system, a generator and parking facilities</p>	<p>Action should be taken to provide the facilities needed and to earn revenue.</p>	<p>The charges has been revised under the approval of the General Meeting due to the insufficient of facilities and action will be taken to obtain the</p>

had not been provided and as such the expected utilizations had not taken place. Even though it was decided at the General Meeting on 30 December 2014 to reduce the rent of the theatre and the deposit amount by Rs.10,000 and 5,000 respectively action had not been taken to develop the theatre and to earn revenue.

Sabha approval to provide facilities.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

Audit Observation

The entire provisions of Rs.25,634,280 made for recurrent objects and capital objects in the year under review had been saved and the savings exceeding the 50 per cent of provisions made for other recurrent and capital objects amounted to Rs..18,080,708.

Recommendation

Action should be taken to allocate provisions in a planned manner and to utilize those provisions effectively.

Comments of the Accounting Officer

Because, the relevant functions could not be performed, 100 percent of the funds were saved in those heads of expenditure. Even though the provisions had been made considering that the expenses has to be incurred those provisions had not been spent and as such the money was saved.

4.2 **Unresolved Audit Observations**

Audit Observation

Action had not been taken to recover the receivable key money for a trade stall in the Hingula Trading Complex from the year 2001 amounting to Rs.50,350 and the receivable key money for 7 trade stalls of the Hemmathagama Trading Complex from the year 2001 amounting to Rs.1,607,775 even by 31 December 2019.

Recommendation

Action should be taken to recover the key money receivable.

Comments of the Accounting Officer

A part of key money has been paid by the lessee due to inadequacy of facilities in the Hingula Trading Complex and the balance money will be recovered after completion of the construction.