

Matugama Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 21 March 2014 while Financial Statements relating to the preceding year had been submitted on 13 May 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 14 November 2014.

1.2 Opinion

Due to the importance matters appearing in paragraph 1.3 of this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Matugama Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a.) Three Wheeler Vehicle purchased for Rs. 411,500 and the Huller Machine purchased for Rs. 100,000 for the Compost Yard during the year had not been capitalized.
- (b.) Although the Security Investments balance according to the Employees security Deposit Pass Books was Rs.61,620, the balance accounted as at that date was Rs.77,346.
- (c.) Although two Projects continued from the year 2012 under Maga Neguma Program had been performed during the year under review, funds had not been received even up to 20 May 2014, date of audit. The sum of Rs. 1,660,868 relevant to the two projects had not been accounted under Work Creditors and Debtors.
- (d.) Although the total of payments in the Cash Book maintained relevant to Works was Rs. 54,913,010, a sum of Rs.53,955,669 had been accounted as Capital Expenditure. Instead of deducting the sum of Rs.2,698,461 spent relevant to the General Cash Account out of the cash account relating Works, those expenses had been added. Due to these errors, capital expenditure for the year under review had been overstated in a sum of Rs. 4,439,581.

- (e.) Receipt of Members Allowance during the year amounting to Rs. 711,167 had been shown deducted from the Salaries Expenditure and due to that the Salaries expenditure and the Revenue Grants had been understated to the extent of that value.
- (f.) Although the Journal Entry written up for the correction of the error in crediting the sum of Rs.47,546 to the suspense Account for correcting the balance of the Rates in Arrears Account, had been shown as a debit to the Suspense Account and a credit to the Accumulated Fund, it had been debited to the Accumulated Fund and credited to the Rates Account.
- (g.) The amount received for reimbursement of salaries during the preceding year had been deducted from the Salaries Account and accounted during that year. Although it is not necessary correct that during the year under review, a sum of Rs.838,936 had been credited to the Accumulated Fund having debited the Suspense Account in a similar amount during the year under review.
- (h.) The balance of the Staff Loans Account as at the end of the preceding year had been Rs.9,226,272 but, it had been recorded as Rs.9,226,272 in the Balance Sheet. Although a sum of Rs.26,535 should be debited to the Staff Loans Account during the year under review having credited the Suspense Account for correction of that error, suspense Account had been debited in a sum of Rs.270,433 having credited the Staff Loans Account.
- (i.) The balance of the Salaries Reimbursement Account as at the end of the preceding year had been understated in a sum of Rs.2,048,834 when copying that to the Trial Balance. Although that value should be debited to the Reimbursements of Salaries in Arrears Account having credited the Suspense Account, it had been debited to the Accumulated Fund and having credited the Reimbursements of Salaries Control Account.
- (j.) Accumulated Fund had been credited in capitalizing the donations received valued at Rs. 3,995,289 during prior years. Instead of debiting the Accumulated Fund and crediting the Contribution from Revenue to Capital Outlay Account for correction the error, a sum of Rs.3,267,845 only had been adjusted in those two accounts.
- (k.) Action had not been taken during the year under review too, to correct the error of omission during the preceding year in accounting the Staff Security Deposits Balance of Rs. 77,344 shown in the Balance Sheet of the year 2010.

1.3.2 Lack of Evidence for Audit

(a.) Audit Queries not replied

Replies had not been furnished to 02 audit queries up to November 2014.

(b.) Non-rendition of Information to Audit

Transactions totalling Rs. 208,975,109 could not be satisfactorily vouched in audit due to lack of required information.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2013 had been Rs. 16,260,916 as against the excess of recurrent expenditure over revenue amounted to Rs.8,980,607 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	6,974	4,893	8,315
(ii)	Lease Rent	5,483	5,039	1,032
(iii)	Licence Fees	335	328	28

2.2.2 Rates

(a.) Out of the balance of Rates in arrears amounting to Rs. 7,624,493 as at the end of the year under review, a sum of Rs. 689,146 had been recovered as at 30 May 2014 and accordingly the balance in arrears amounted to Rs. 6,935,347.

(b.) Out of the Rate Payers in the area of authority of the Head Office of the Sabah, there were 43 Rate Payers showing Rates balances in arrears exceeding Rs. 10,000 and the total balance outstanding from them amounted to Rs. 826,378. While these balances in

arrears had been outstanding for more for more than a period ranging from 1 ½ years to 20 years, steps had not been taken recover those balances.

2.2.3 Acreage Tax

Although a sum of Rs. 35,993 had been billed as Acreage Tax during the current year, only a sum of Rs.10,943 had been recovered. Similarly, only a sum of Rs. 494 had been recovered from the balance of arrears amounting to Rs. 67,895 at the beginning of the year and therefore the overall balance of Acreage Tax in arrears at the end of the year had been Rs.92,451.

2.2.4 Industrial Business Taxes

Industrial and Business Taxes amounting to Rs. 22,450 was in arrears from Industrial and Business Places in the area of authority as at 30 May 2014.

2.2.5 Other Revenue

While Rent arrears of Trade Centers as at 31 December 2013 had been Rs. 910,945, steps had not been taken up to 30 May 2014, to recover a sum of Rs. 442,331 in arrears out of that, due from Trade Centers belong to the area of authority of the Head Office, relevant to a period ranging from 01 to 42 months.

2.2.6 Court Fines and Stamp Fees

Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were as follows.

	Rs.
Court Fines	8,000,000
Stamp Fees	7,000,000

3. Operational Review

3.1 Idle and Under-utilized Physical Assets

Following observations are made.

- (a.) A stock of 66 corrugated five threads iron wires purchased during the year 2010 had been kept un-utilized in the premises opened to corrosion.
- (b.) A High Pressure Machine purchased for a sum of Rs. 33,416 on 18 August 2013 for vehicle washing had not been used as it could not be operated.
- (c.) A Welding Transformer had not been able to be used.

- (d.) Fifty five Armless Plastic Chairs purchased at a cost of Rs. 700 per chair on 13 January 2013 and a Water Tank of 1000 litres capacity received from the Disaster Management Authority on 20 April 2011 in unserviceable condition had been kept in the premises without being able to use.
- (e.) A Finger Print Marking Machine had been purchased for a sum of Rs. 87,765 on 04 March 2010. While the Machine had not been used from the date of purchase; the machine had been handed over to the supplier for repairs on 23 October 2012, action had not been taken to get back the machine after repairs up to 12 March 2014, date of audit.

3.2 Improper Transactions

- (a.) A sum of Rs.52,500 had been paid on December 2013 out of Sabha fund for providing a trouser and shirt per member as uniforms to 16 members of the Sabha while there was no legal provision to provide uniforms to members out of Sabha fund.
- (b.) A surcharge of Rs.240,814 had been paid for not remitting the contributions from September 2003 July 2013 to the Employees Trust Fund and the employees Provident Fund on the Specified dates.
- (c.) In spite of the fact that a permanent carder of 22 Management Assistants and 14 employees on casual, daily pay and contract basis including 07 specific officers attached to the duties of the accounts section, are engaged in the Head Office Service, a sum of Rs.12,000 had been paid to an outside industrial to for making corrections to the final account on 31 December 2013.

3.3 Un-economic Transactions

A Grass Cutting Machine had been purchased on February 2013 for a sum of Rs.300,675 under Provincial Criteria Based Grants for 2012, the Machine had been kept idle in the Old Sabah Building even March 2014.

3.4 Payment of Planning Committee Allowances

Following observations are made.

- (a.) The Planning Committee should be conducted for more than 2 hours outside the duty time and an Attendance Register and a Report Book should be maintained for the payment of allowances, according to the Paragraph 15 of the Circular No. LG/07/2004 dated 15 December 2004 of the Commissioner of Local Government. However, an Attendance Register had not been maintained by the Sabah for the Planning Committee Meetings and only the signatures had been placed in the Report Book without mentioning the time. In examining the Daily Arrival and Departure Register of the Sabah, departure time of the officers who participated 48 times in the Planning Committee meetings conducted, had been a time between 10 minutes and 1 hour 30 minutes after normal

departure time. Accordingly, it was observed that the Planning Committee Meetings had not been conducted for more than 2 hours after duty time, a sum of Rs. 193,950 had been paid as allowances.

- (b.) For payment of Planning Committee Allowance there should be more than a minimum of 10 building applications and if it is less than 10, normal duty hours should be utilized for that and not possible to pay the Allowance. However, in 17 instances Planning Committee Meetings had been conducted and allowances amounting to Rs. 68,500 had been paid while the number of building plans had been less than ten.

3.5 Staff Loans

Action had not been taken to recover a Festival Advance balance of Rs. 21,490 relating to the period from the year 2007 to the year 2012, due from 20 employees who had vacated posts having served as daily paid labourers.

3.6 Advances

62 Balances of Advances totalling Rs. 4,283,746 paid since the year 2005 had not been recovered even as at 31 December 2013.

3.7 Contracts Administration

- (a.) Development of Road by fixing Stone Blocks on the Madawalawatta Road turning from Horawala – Madawala Main Road

Estimates had been prepared for a sum of Rs. 500,000 to develop the above road by fixing stone blocks to a length of 94.6 meters and a width of 2.7 meters. Following matters were revealed at the physical inspection carried out with the Technical Officer on 11 March 2014.

- (i.) Although a sum of Rs. 2,500 had been paid for spreading earth on two sides of the road and leveling, it was observed that it had not been performed.
- (ii.) According to Item 04 of the estimate, 9502 inter connected concrete blocks should be fixed for 255.42 square meters and a sum of R. 323,068 had been paid on 07 February 2014 for that according to the payment reports. According to the measurements taken at the physical inspection of that road carried out, 228.58 square meters had been performed and 40 stones per square meter had been fixed and therefore the total number of stones fixed had been 9142. Accordingly, a sum of Rs. 12,240 had been overpaid for 360 stones.

- (b.) Sundry Projects

A sum of Rs. 2,778,829 had been paid for Sundry Projects during August 2013.

- (i.) Roads relevant to 2 projects belonged to sub partitions of land.

- (ii.) Roads relevant to 4 projects had not been published in the Gazette as roads belong to the Sabha.
- (iii.) Drinking Water Project had not been planned in a land belongs to the Sabah.
- (iv.) The Project agreements had not been signed by the Secretary.

3.8 Vehicles Control

Following observations are made.

- (a.) A Register of Vehicles had not been maintained by the Sabah in terms of Financial Regulation 1647 (e) of the Republic of Sri Lanka.
- (b.) A survey had not been carried out with regard to the vehicles.
- (c.) Although a Register should be maintained indicting the particulars relating to spare parts and components removed in repairing vehicles or removing spare parts.
- (d.) While Monthly Summaries relating to 20 vehicle of the Sabah had not been prepared, Running Charts too had not been submitted.
- (e.) Action in terms of Financial Regulations 103 and 104 of the Republic of Sri Lanka had not been taken with regard to vehicle accidents.

4. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (i.) Accounting
- (ii.) Revenue Administration
- (iii.) Vehicles Control
- (iv.) Contracts Administration
- (v.) Stocks Control
- (vi.) Budgeting