

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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 21 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 16 July 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Mathugama Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a) While balance of the Contribution from Revenue to Capital Outlay Account as at 31 December 2014 had been Rs. 226,536,910, the total of Fixed assets had been Rs. 225,813,107 and therefore a difference in a sum of Rs. 723,803 was observed between those accounts.
- (b) In order to correct the error occurred in overstatement of balance in a sum of Rs.1,009,030 in balancing the expense Creditors Account of the year 2011 , a sum of Rs.100,030 only had been adjusted in the Creditors Account and the Suspense Account.
- (c) Capital Grants amounting to Rs. 2,768,680 received for Works during the year under review had been credited to the Deposit Account. Due to that, Capital Grants Billing in the Revenue and Expenditure Account had been understated to that extent.
- (d) A sum of Rs. 957,341 only had been adjusted for correcting the error of accounting in a sum of Rs. 4,439,581 as Capital Expenditure, more than the amount shown as Works payments in the Cash Book during the preceding year.
- (e) Six accounting deficiencies pointed out in my report for the preceding year had not been corrected during the year as well.

1.3.2 Accounts Receivable and Payable

Steps had not been taken to recover 02 account balances amounting to Rs. 454,225 that were being brought forward since a long period of time and settle the balance of Rs.6,920,036 payable to the Department of Pension.

1.3.3 Lack of Evidence for Audit

Seven accounts balances totalling Rs.242,033,949 could not be satisfactorily vouched in audit due to lack of updated registers, schedules and stocks verification reports.

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 2014 had been Rs.11,549,979 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.16,260,916 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	6,964	4,042	8,165
(ii)	Lease Rent	5,492	4,729	1,125
(iii)	Licence Fees	179	174	67
(iv)	Other Revenue	350	350	-

2.2.2 Rates

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- (i) While the balance of Rates in arrears as at the beginning of the year had been Rs. 7,395,187, billings for the year under review had been Rs. 4,414,216. Out of the opening balance in arrears, a sum of Rs. 1,751,873 or 24 per cent and out of billings a sum of Rs. 2,172,250 or 49 per cent had been recovered as at 31 December 2014.
 - (ii) The total amount outstanding from 273 rate payers in the area of authority of Head Office of the Sabha, with balances in arrears for more than Rs. 5,000 per head as at 30 September of the year under review was Rs. 2,543,888.

2.2.3 Acreage Tax

Out of Acreage Tax in arrears amounting to Rs. 147,465 as the end of the year under review, a sum of Rs.83,327 only had been recovered as at 30 June 2015.

2.2.4 Industrial and Business Taxes

Out of Industrial and Business Taxes amounting to Rs. 407,934 in arrears as at 31 October of the year under review, a sum of Rs. 350,794 was outstanding to be recovered from 132 institutions in the area of authority of the Head office of the Sabha.

2.2.5 Rent of Trade Spots

Out of Trade Spots Rent outstanding amounting to Rs. 1,006,220 as at the end of the year under review, a sum of Rs. 474,579 only had been recovered as at 30 May 2015.

2.2.6 Court Fines and Stamp Fees

Court Fines amounting to Rs.16,500,000 was receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operational Review

3.1 Improper Transactions

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- (a) In the event of incurring expenditure in aggregate of more than Rs.1,000 per annum connected with any religious, charitable, cultural, health, recreational or educational work, prior sanction of the Minister should be obtained according to Section 132(j) of the Pradeshiya Sabha Act No.15 of 1987. However, without obtaining such sanction, a sum of Rs.124,559 had been spent for the Literary Function 2014.

- (b) Although quotations should be called for implementation of any work or service exceeding expenditure more than Rs.5,000, in terms of Pradeshiya Sabha (Financial and Administrative) Rule 177 of 1988, a vehicle repair expenditure of Rs.128,075 had been incurred without calling for quotations.

3.2 Operational Inefficiencies

- (a) While Finger Print Marking Machine purchased and fixed for a sum of Rs. 87,765 on 04 March 2010 had not been used, it had been defunct due to thunder strike to the machine during October 2012. Although it had been handed over to the supplier institution for repairs due to that, action had not been taken to get back the machine up to 20 November 2014, date of audit.
- (b) A sum of Rs. 3,256,410 had been spent for 27,100 liters of fuel for the two Bako Machines and the two Tipper Vehicles belong to Sabha up to 20 November 2014, date of audit. However in engaging the machine in service, there was no register or advance work plans for works relating to the machines.
- (c) Although a full survey of properties of the Sabha in terms of Rule 203 of Pradeshiya Sabha (Financial and Administrative) Rule Series of 1988, a survey of all lands and buildings in terms of Rule 217, and Boards of survey to carried out in terms of Financial Regulation 756 of the Republic of Sri Lanka should be carried out, the above surveys had not been carried out in the Head Office of The Sabha after the year 2011.

3.3 Human Resources Management

Following observations are made.

- (i.) While approved cadre of the Sabha as at 30 September 2014 was 174, permanent staff had been 154. While the number of employees recruited on the basis of substitutes, projects and contracts was 53, a sum of Rs. 6,745,644 had been paid as salaries and allowances for them out of the Sabha Fund up to October of the year under review.
- (ii.) There was shortage of 20 employees in 10 approved posts.
- (iii.) While 03 drivers had been recruited on the basis of substitutes and contacts and had been engaged in drivers service, a permanent driver had been engaged in lighting and switching off street lamps in the Electricity Section of the Sabha as at the date of audit.

3.4 Idle and Under-utilized Physical Assets

Following assets purchased by the Sabha and received as donations remained without being used over a number of years.

- Grass Cutting Machine purchased for a sum of Rs. 300,675 on 01 February 2013 under Provincial Criteria Grants.
- Eight Grass Cutting Machines purchased at a value of Rs. 139,000 during the years 2013 and 2014.
- Sixty six Curl Wires of thread 5 received to the Sabha during the year 2010.
- High Pressure Machine valued at Rs.33.416 purchased on 18 August 2013 for washing vehicles.
- A Welding Transformer
- Fifty five Armless Plastic Chairs purchased at a unit price Rs. 700 on 13 January 2012.
- A Water tank of 1,000 liters received from the Distress Management Authority on 20 April 2011.

3.5 Dormant Accounts

A balance of Rs. 260,421 brought forward over a number of years in the Savings Account maintained in favor of the Urban Development Authority by the Sabha remained idle.

3.6 Identified Losses

- (a) Action had not been taken to get back 181 Library Books valued at Rs. 37,467 taken away by the readers up to the date of audit in May 2015.
- (b) Out of 488 GI Pipes received to the Sabha from the DiviNeguma Department during November 2014, only 247 pipes were available in the Sabha. While information relating issues of these pipes were not available, a Stock Register too had not been maintained in this connection.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Expenditure Control
- (d.) Assets Management