

**Madurawala Pradeshiya Sabha**

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**Kalutara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 24 March 2017 and financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 September 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position as at 31 December 2016 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**

The following observations are made.

- (a) The over provision of Rs.15,525 on behalf of work creditors for the year 2015 had been adjusted during the under review. While doing so, the Repairs to Capital Assets Account had been credited instead of debiting the Work Creditors Account and crediting the Accumulated Fund Account. As a result, the surplus for the year under review had been overstated by a similar amount.
- (b) The Work Debtors Account should have been debited and the Accumulated Fund Account credited in order to rectify the understatement of work debtors of 2015 by Rs.831,884. However, the Work Debtors Account had been debited and the

Capital Aid Account had been credited resulting in an overstatement of the revenue of the year under review by Rs.831,884 in the financial statements.

- (c) The audit fees of Rs.80,440 of the previous year should have been debited to the Accumulated Fund. However, this had been brought to account as expenditure of the year under review. Meanwhile, the audit fees of the year under review had been omitted in the financial statements.
- (d) The arrears of stamp fees as at 31 December 2016 amounted as Rs.11,028,975. This had been shown as Rs.4,875,932 in the financial statements resulting in an understatement of stamp fees receivable by Rs.6,153,043.
- (e) The arrears of Stamp Fees Account should have been debited and the Accumulated Fund credited in order to adjust the understatement of billing the stamp fees of 2013 by Rs.223,645. However, the Revenue Aid Account had been credited resulting in an overstatement of the revenue of the year under review by Rs.223,645 in the financial statements.
- (f) The paragraph 2.2.1 (g) of the Auditor General's report of 2015 had not been rectified.

### **1.3.2 Lack of Evidence for Audit**

Transaction total amounting to Rs.78,697,614 could not be satisfactorily vouched in audit due to non rendition of necessary information.

## 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 2016 amounted to Rs.2,632,480 as against the excess of expenditure over recurrent revenue of the preceding year amounting to Rs.84,825 resulting in an improvement in financial results of the year under review by Rs.2,717,305. The increase in revenue by Rs.6,056,440 and the increase in expenditure by Rs.3,339,135 had mainly attributed to the improvement in financial results by Rs.2,717,305.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appear below.

<b>Item of Revenue</b>	<b>Estimated Revenue</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	991	842	555
Licence fees	262	262	-

#### 2.2.2 Rates and Taxes

- (a) Out of the arrears of rates and taxes of Rs.701,511 at the commencement of the year under review, a sum of Rs.303,215 representing 43 per cent had been recovered.
- (b) Out of the revenue billed for the year under review amounting to Rs.573,407, a sum of Rs.432,485 representing 75 per cent alone had been recovered.

- (c) Assessments made to properties had not been reviewed in terms of 143(1) of the Pradeshiya Sabha Act whenever there were physical alterations.
- (d) The number of units of rates and taxes during the year 2011 were 2285 and it had declined to 2239 by end of 2016.
- (e) The outstanding balances of rates and taxes by 31 December 2016 amounted to Rs.543,217. Arrears of balances of Rs.59,914 exceeding 5 years and arrears of balances of Rs.119,716 exceeding 5 years had been included in this. Action had not been taken to recover these arrears in terms of Section 161 of the Pradeshiya Sabha Act.

### **2.2.3 Industrial Tax/Business Tax/Trade Licence**

A survey should be made to recover revenue from industrial tax /business tax and trade licence and bills should be prepared accordingly so as to recover tax. However, the amount received as tax had been treated as the amount billed.

### **2.2.4 Court Fines and Stamp Fees**

The amount due from the Secretary of the Provincial Council and other authorities as at 31 December 2016 appear below.

	Rs.
(i) Court Fees	4,397,583
(ii) Stamp Fees	4,875,932

### **3. Operating Review**

#### **3.1 Operating/ Management Inefficiencies**

(a) The assets and liabilities of the Bulathsinhala Pradeshiya Sabha had been partitioned between the Bulathsinhala and Madurawala Pradeshiya Sabhas at the time of establishing the Pradeshiya Sabha with effect from 15 April 2006. However, action had not been taken even by 11 June 2017 to legally distribute the assets and liabilities. The land where the Madurawala Pradeshiya Sabha operates at present, buildings and crematoriums together with other land and buildings had been granted at the commencement of the Pradeshiya Sabha. However, land and buildings, whatsoever, had not been shown in the initial balance sheet. Action had not been taken to survey the land and buildings belonging to the Sabha and to bring them to account while preparing the financial statements for the year under review.

#### **(b) Uniform Allowance**

A sum of Rs.344,000 had been paid to 86 persons of the staff at the rate of Rs.4,000 per person per year in terms of Public Administration Circular No.05/2013 of 22 April 2013. The institutional heads had not taken action in terms of provisions in the Public Administration Circular No.27/91 of 07 August 1991 for not wearing uniforms during office hours against the officials who had drawn the above allowance in terms of paragraph (b) of the circular referred to in the above paragraph.

#### **3.2 Transactions of a Contentious Nature**

##### **Purchase of Furniture for the Library**

Furniture and equipment valued at Rs.1,339,732 had been purchased for the Madurawala library under the Puraneguma Project. The following matters were observed.

- (a) The specification of equipment purchased were not the specifications required for the library. It was observed that plastic chairs had been obtained for small children, which were not safe for them.
- (b) One table costing Rs,9,950 which could be used by one person at a time together with 09 chairs worth Rs.69,650 had been purchased instead of the table required for reference of books.
- (c) Twenty eight racks had been purchased for Rs.445,200 at the rate of Rs.15,900 each. The mid portion of those racks had slanted due to the heavy weight of books as the size and breadth of more racks were extensive. Further, one of those racks had broken. This may cause the entire 28 racks to fall and as such it appeared that it was not safe.

### **3.3 Idle and Under utilized Assets**

#### **(a) Dicklanda Water Project**

A sum of Rs.6,604,411 had been spent under the Puraneguma Project to provide water for 21 houses and the project had been handed over to the Sabha on 10 October 2016. The following matters were observed.

- (i) Water supply had not been provided even by 19 June 2017.
- (ii) The National Water Supply and Drainage Board, Kalutara which tested the water of the well constructed had reported that the water contained bacterias and as such it was not suitable for consumption.
- (iii) The Puranegua Project had ended and the responsibility to supply pure water lied with the Pradeshiya Sabha. Therefore, Pradeshiya Sabha had to bear the additional expenditure.

(b) **Remuna Water Project**

A sum of Rs.17,800,877 had been spent under the Puranegua Project with the intention of providing water facilities to 74 families. The Project had been completed and handed over to the Sabha on 10 October 2016.

The following matters are observed.

- (i) The water supply project needed 400 watts of electricity for which 375 watts of electricity alone had been supplied and as such water had been supplied to 51 families for 2 hours a day. Proper water supply could not be afforded.
- (ii) A transformer could not be installed so as to increase the capacity of circulation of electricity as the owners of private land had instituted legal action in the Court of Appeal.
- (iii) The Sabha had to spend its fund to regularize irregularities caused due to constant breakage of underground water tubes, leakage of water, malfunctioning of the valve used for self filling of the tank, malfunctioning of water meters due to vandalism caused by people.

(c) **Multipurpose Centre at Anguruwathota**

The multipurpose centre consisting of a hall with 2 buildings with a seating capacity of 160 seats and a medical clinic had been constructed at an estimated cost of Rs.22,230,365 under the Puraneguma Project and had been handed over to the Sabha on 18 November 2016. The following are the observations.

- (i) Only 2 medical clinics per week had been conducted by 19 June 2017 and the hall with 160 seats had only been used for conducting 2 programmes.

- (ii) Twenty four chairs purchased for the centre had not complied with the specifications mentioned in the purchase order.
- (iii) Accordingly, the multipurpose centre constructed by spending a total sum of Rs.23,963,781 made up of Rs.22,320,385 for the building and Rs.1,643,396 for furniture had been underutilized.

### **3.4 Identified Losses**

The double cab obtained by paying Rs.1,412,545 to the Commissioner of Local Government had met with an accident on 31 December 2016. The following matters are observed in this connection.

- (i) The Sabha had not acquired ownership of the vehicles.
- (ii) The engine of the vehicle alone had been damaged without any external damages. 3 boards of injuries appointed for investigation had not prepared the report of damages even by 19 June 2017.
- (iii) The accident had occurred while the vehicle had been driven by a watcher of the Pradeshiya Sabha. The internal parts of the engine of the vehicle had been severely damaged and the agents had forwarded an estimate of Rs.3,089,810 (excluding VAT) for installing a new engine.

### **3.5 Transactions without Adequate Authority**

The prior approval of the Minister is needed for expenditure exceeding Rs.1,000 in terms of Section 132(a) of the Pradeshiya Sabha Act No.15 of 1987 with regard to any religious, charity cultural, health, entertainment and educational matters. However, a sum of Rs.122,632 had been spent without such approval.

**4. Systems and Controls**

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

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