

## **Mathugama Pradeshiya Sabha**

-----  
**Kalutara District**  
-----

### **1 Financial Statements**

#### **1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 27 July 2017 and the financial statements for the preceding year had been presented on 29 April 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 for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.3 Comments on Financial Statements**

##### **1.3.1 Accounting Deficiencies**

The following observations are made.

- (a) The stamp fees of Rs. 34,000,000 of the year under review had been shown as service charges instead of being shown as other revenue.
- (b) It was observed that the unsettled advances of previous years had been included in the balances of pre payments of the Sabha and although a considerable percentage of this had been recovered adjustment had not been made in the accounts.

(c) The following deficiencies were observed in the preparation of cash flow statement.

(i) Increase in investments amounting to Rs. 10,620,968 had been shown under operating activities instead of being shown under investment activities.

(ii) Increase in revenue debtors amounting to Rs. 48,754,359 had been shown as Rs. 53,630,146 in the cash flow statement.

(iii) Increase in utility services recoverable amounting to Rs. 2,875,606 had not been shown in the cash flow statements.

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

Transactions aggregating Rs. 290,316,750 could not be satisfactorily vouched in audit due to non rendition of necessary information to audit.

## **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. 12,137,349 as compared with the excess of revenue over recurrent expenditure of the previous year amounting to Rs. 14,075,479. Accordingly, a decline in financial results amounting to Rs. 1,938,130 was observed.

### **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>
	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	15,073	12,439	4,725
Lease rent	5,396	4,949	636
Licence fees	267	267	-

### **2.2.2 Rates and Taxes**

- (a) Out of the balances of rates and taxes of Rs. 5,473,544 at commencement of the year under review, a sum of Rs. 3,406,340 or 62 per cent only had been recovered as at 31 December 2016.
- (b) A balance of Rs. 414,098 had not been recovered from 42 units exceeding Rs. 5,000 at the Mathugama sub office.

### **2.2.3 Rent of Trade Stalls**

The arrears of Rs. 72,600 due from Stalls No. 55 of the Public Market had not been recovered.

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

The amount due from the Chief Secretary of the Provincial Council and other authorities appear below.

	<b>Rs.</b>
(i) Court Fines	18,500,000
(ii) Stamp Fees	60,994,435

### **3. Operating Review**

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

- (a) A sum of Rs. 323,259 had been paid for surveying 09 land of the Sabha during 2015 and 2016. But, security fences had been erected and name boards fixed in 05 crematoriums only.
- (b) The Welkandala, Ketelanda crematorium of 2 acres and 33 perches had been vested with the Mathugama Pradeshiya Sabha under Section 3.2 of the Village councils Ordinance on 27 September 1976. Six unauthorized private parties had been engaged in cultivation in this land and the public petition committee had investigated this on 24 May 2016 and it was observed at the investigation that permanent cultivation activities had continued for about 50 years. This unauthorized activity had taken place due to the lack of proper protection afforded by the Sabha.
- (c) According to the register of crematorium of the Mathugama Pradeshiya Sabha, there were 52 crematoriums. Of this, 31 crematoriums had been acquired by vesting orders. But, the vesting orders had not yet been received for 16 of those crematoriums. Action had not been taken up to now to obtain vesting orders for the rest of 21 crematoriums.
- (d) The Sabha was not in possession of 2 survey plans of 2 plots of land obtained by it during auctioneering.
- (e) Although the stores office had properly received 65 pieces of iron rods removed during the repairs to the reading room of the library, issues had not been made properly.

(f) **Agreements for Rent of Stalls**

Fish stall No. 10 belonging to the Mathugama Sub Office, Stall No. 07 of the new public market and 05 trade stalls of the public market belonging to the Welipenna sub office and 04 stalls of the public market had been given on lease without agreements.

(g) **Stalls on Rent**

(i) The lessee had repaired the stall No. 43A belonging to the Mathugama sub office on the basis of expenditure being met by the Sabha and the lease had agreed to set off this from his stall rent.

- The Sabha had not taken action to specifically identify the expenditure.
- Rent for 2 months only had been recovered from March 2015 to date.

(ii) The land belonging to the stall had not been owned by the Sabha and it belonged to the Divisional Secretariat. The Sabha had not taken action to acquire it.

(iii) The same lessee had also obtained Stall No. 33 on lease. He had been allowed to occupy the sealed stall bearing No. 60 for business activities since 2015 due to the widening of road. But, an agreement had not been entered into up to 30 September 2016.

(h) **Rent of Stalls of the Mathugama Sub office**

(i) Stall No. 32 had been sublet without agreements been signed.

- (ii) The lessee had not come forward to update agreement relating to the Fish Stall No. 8 and as such the Sabha had acquired it and tenders had not been called for.

### **3.2 Losses and Damages**

A complaint had been lodged at the police station on 28 December 2015 with regard to the misplacement of 142 GI pipes belonging to the Sabha. The Secretary of the Sabha had entrusted the investigation to the investigating officers on 02 February 2016 to inquire into the matter and furnish a report. According to the inquiry report of the investigation officers, a decision had been arrived at, to recover the shortage from the ex – Chairman. However, action had not been taken to recover the loss.

### **3.3 Performance**

According to the Action Plan of 2016, 36 jobs of the Sabha had to be executed. However, 10 jobs only had been executed. Further, 32 jobs of the Sabha which were not in the Action Plan had been executed.

## **4. Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of control.

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