

Mathale Pradeshiya Sabhawa
Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statement for the year 2017 had been submitted to audit on 26 March 2018 and the report of the Auditor General on the financial statement had been issued to the Chairman on 12 June 2018

1.2 Qualified Opinion

In my opinion except for the effects of the matters described in paragraph 1.3 of this report, the financial statement give a true and fair view of the financial position of the Mathale Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on the Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- a) Over statement of income of stamp fees by Rs. 2,580,264 and understatement of receivable stamp fees by Rs. 2,580,264 had been taken in to account in the year under review.
- b) The value of the plant and equipment and the balance of revenue contribution to capital outlay account had been understated by Rs. 68,058.
- c) Current liabilities as at the end of the year under review had been understated by Rs. 265,934
- d) Balances of account of land and the account of revenue contribution to capital outlay had been understated by Rs. 55,000
- e) Capital expenditure (physical planning) and creditors for the year had been overstated by Rs. 244,208 as the accurate expenditure not being taken in to accounts relating to 3 roads which the construction had been completed during the year under review.
- f) The value of fixed deposit had been understated by Rs. 3,353,317 and interests receivable on fixed deposits had been overstated by Rs. 2,154,582 for the year under review

1.3.2 Unreconciled Accounts

There were differences between the balances relating to 3 accounts items amounting to Rs.69,449,508 shown in the financial statements and relevant subsidiary records and registers whilst the total of differences observed was Rs.13,481,301.

1.3.3 Accounts Receivable and Payable

a) Receivable Accounts

The value of the receivable balances of 11 account items as at the end of the year under review was Rs.39,174,680 and according to the age analysis submitted, balances of Rs.849,126 which were remained outstanding more than a period of one year had included in the said balance.

b) Payable Accounts

The value of the payable balances of 14 account items as at the end of the year under review was Rs. 22,536,796 and according to the age analysis submitted balances of Rs.2,859,111 which were remained outstanding more than a period of one year had included in the said balance.

1.3.4. Lack of Written Evidence for Audit

Non - availability of Information to Audit

Balances of three accounts items amounting to Rs. 55,527,951 could not be satisfactorily Verified due to non-availability of necessary information.

1.3.5 Non- Compliance

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

The following non - compliance with laws, rules, regulations and management decisions were observed

Reference to Laws, Rules, Regulations and management decisions	Amount Rs.	Non - Compliance
a) Section 24 of the Pradeshiya Sabha Act No.15 of 1987	-	Roads newly constructed after the year 2012 had not been taken in to the inventory and actions had not been taken to gazette the roads prevailed and constructed.
b) Slaughter House Act No.9 of 1893		
(i) Section 6		Guarantees had not been obtained in the

(ii) Section 9		relevant format for the slaughter house which was conducted by a private party in the area of Kotegoda. Approval had been given to conduct the slaughter house in the above mentioned place by the cash receipt No.89930 dated 23 June 2017 without a properly issued license.
(iii) Section 10		All information relating to cattle slaughtered in the previous month had not been taken.
c) 1988 Pradeshiya Sabha Rules (Finance and Administration)		
(i) Rule 178 (7)(2)		A tender box had not been maintained for quotations receiving under the shopping method
(ii) Rule 178 (7) (4)	182,068	Tender forms not being numbered orderly , each page of the tender not being initialed by the person who opened the tender and the date not being mentioned in the event of opening tender, Updated register had not being maintained relating to land and buildings as per the P.S 6 format.
(iii) Rule 217		Actions had not been taken in connection with 64 expired deposits balances of Contracts.
d) Financial Regulation 570 and 571 of the Democratic Socialist Republic of Sri Lanka	2,309,836	
e) Gazette Notifications ----- Section 31 of part "A" of schedule "A" of the Special Gazette No.1533/16 dated 25 January 2008.		Permission had been given to conduct a slaughter house in the jurisdiction of the Sabha to a private party without obtaining the environment license which should be obtained from the Central Environment Authority for the places which slaughtered animals for meat.

2. Financial Review

2.1 Financial Results

 According to the Financial Statements presented the revenue for the year ended 31 December 2017 in excess of the recurrent expenditure of the Sabha amounted to Rs.31,767,098 and the corresponding revenue in recess of the expenditure of the previous year was Rs.29,033,610

2.2 Revenue control

Estimated Revenue, Bill amount of Revenue, Revenue Collected and Arrears of Revenue

According to the information presented, the estimated revenue, bill amount of revenue, revenue collected and arrears of revenue for the year under review and the preceding year are shown below.

Source of Revenue	2017			2016				
	Estimated Revenue	Bill amount of Revenue	Revenue of Collected	Arrear as at 31 December	at Estimated Revenue	Bill amount of Revenue	Revenue Collected	Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	/Rs.	Rs.
(i) Rates and Taxes	7,849,000	8,717,038	6,462,041	7,721,011	9,349,000	9,272,597	6,763,301	5,454,159
(ii) Rent	25,001,000	453,805	1,855,910	26,500	26,405,000	485,645	2,209,445	9.905
(iii) License Fees	5,800,000	-	5,430,400	-	7,296,000	-	3,384,764	-
(iv) Other Revenue	24,433,000	22,100,000	4,005,392	21,257,306	19,421,000	34,202,140	4,766,243	30,611,340

2.2.2 Rates and Taxes

a) Rates

Actions had not been taken in accordance with rule 33 (Finance and Administration) of Pradeshiya Sabha 1988 in connection with the outstanding balance of rates amounting to Rs. 568,120 remained as at 31 December of the year under review. An outstanding balance of Rs.25, 320 receivable from State Institutions had included in the said outstanding balance.

b) Acreage Taxes

The outstanding revenue of acreage taxes as at the end of the year under review was Rs. 216,324 and out of the opening outstanding balance of Rs. 212,295, only a sum of Rs. 2,300 represents 1 per cent had been recovered.

c) Water Charges

- (i) The total receivable revenue of water charges as at the end of the year under review was Rs. 4,152,891 and out of that a sum of Rs. 2,313,299 represents 56 per cent had remained outstanding over one year.
- (ii) Actions had not been taken to recover the outstanding balance of Rs. 489,481 brought forward for a period of 4 years relating to 3 water projects and outstanding balance of Rs.1,684,774 brought forward over a long period relating to 9 disconnected water projects.

2.2.3 Court Fines and Stamp Fees

The receivable amount of Court Fines and Stamp Fees from the chief secretary to the provincial council and other Authorities as at 31 December of the year under review were Rs.375, 166 and Rs.21, 257,306 respectively.

2.3 Surcharges

A sum of Rs.1, 426,708 should be recovered as at 31 December of the year under review relating to the surcharges enacted by me in previous years against to responsible persons as per the terms of the Pradeshiya Sabha Act.

3. Operating Review

3.1 Performance

The following observations are made in respect of duties which should be fulfilled by the sabha as per the Section 3 of the Pradeshiya Sabha Act relating to formulate and administrate public health, common utility services and common roads, people's cordiality, convenience and welfare.

a) By Laws

Actions had not been taken in respect of slaughter house conducted in the jurisdiction of the Sabha , as per the By Law of Slaughter House published by part (iv b) of the Gazette No.2045 dated 10 November 2017.

b) Action Plan

- (i) Although 90 projects had been planned to be conducted under the duties of the development section of the action plan for the year 2017, 70 projects had been given up without being full filed.
- (ii) According to the progress report of the development projects as at the end of the year under review, 21 projects which were not included in the action plan had been full filled by using general funds. Hence it was observed that public requirements and other information had not been identified accurately when preparing action plan and projects.

c) Delays in Fulfillment of Duties.

A problematic situation had been occurred in implementation of construction of side channel of the beginning section of the Thotagamuwa Watta main road under the project for improvement of infrastructure facilities of Local Government Institutions due to the proposals for projects not being submitted after a proper feasibility study. Hence the funds received for that amounting to Rs. 119,742 had to be refunded to the relevant Ministry on 11 January 2017 and the opportunity to be implemented another development project by using the sum of Rs. 600, which had been allocated for the above mentioned project had been missed.

d) Solid Waste Management

Out of 3 Metric Tons of waste collected daily in the jurisdiction of the Sabha ,almost 400 Kilograms were used for production of compost and cauterization was done by using caustic polythene of which nearly 40 per cent removed from garbage. However environment license had not been obtained from the Central Environment Authority for solid waste project of the Sabha and caustic polythene as per the 27 and 28 of the part “b” of the Special Gazette No.1533/16 dated 25 January 2008.

e) Sustainable Development Goals

The Sabha was not aware of the 2030 Agenda for Sustainable Development Goals, thus long term plans had not been prepared even up to 08 June 2018 for improvement of livelihood and health of the general public of the jurisdiction of the Sabha through global indicators relating to those goals.

3.2 Management Inefficiencies

The following observations are made

- a) The milo meer of the tractor No.CP-GS 0504 was out of order before 13 January 2014 and it had not been repaired.
- b) Although a sum of Rs. 57,500 had been paid to the District Superintendent of Survey of Mathale on 20 February 2017 for surveying the land with the Sabha office, actions had not been taken to obtain survey reports.

- c) Although the sabha should act in its own jurisdiction as the general administration authority of germination and securing of public health, reports had not been obtained after examination of water samples by an accepted institutions to confirm whether the water of 12 water schemes in the operational level was suitable for drinking.

3.3 Human Resources Management

- a) Action had not been taken to fill the vacancies of 43 employees relating to 1 posts of the cadre of the Sabha.
- b) A sum of Rs. 235,930 deducted from the salaries for December 2016 relating to recovery of distress loan balances of 2 female officers arrived through transfers had been retained in the general deposit account.
- c) The value of an unrealized cheque amounting to Rs. 34,564 which was written to the pension fund had been shown under the miscellaneous deposits since 12 October 2015 without being taken actions to settle.

3.4 Operational inefficiencies

Although certificates of completion should be issued for the buildings constructed on approved plans, out of 310 building applications approval had been given for 214 whilst Certificates of Completion had been issued only for 3 applications.

3.5 Assets Management

Idle/Underutilized Assets

The following observations are made

- a) A thermal fogging machine received to the Sabha under the Solid Waste Management Programme in the year 2011 which had not mentioned the value, 5 vehicles which were not in the running condition and a vehicle removed from running since 28 July 2016 were remained idle.
- b) Although a period almost 3 years had lapsed after supplying o hall facilities in the Sabha premises for a Project of District Information Technology Centers and receiving computers and accessories, computer chairs, 40 computer tables and a project screen and 3 air condition machines by the Ministry of Telecommunication and Information Technology integrated with the District Administration in December 2014, activities of the Center had not been commenced. Six UPS machines received in this connection were out of order as at the end of the year 2017.
- c) Two engine removed from vehicles, 2 old rims removed from a JCB and a Sony video camera which had been purchased at Rs.55.970 but in the condition of out of order had been remained in the stores from 2 years to 10 years.

3.6 Procurement

3.6.1 Procurement Plan

According to the Government Procurement Guideline 4.2.1 and 4.2.2 a maser procurement plan, a detailed procurement plan including civil work, goods and other services and procurement time table had not been prepared and purchasing of Rs. 4,423,194 had been made from January to November 2017.

3.6.2 Contact Administration

Development of road running to the Aluwiharaya Serugala Statue.

It had been entered in to an agreement with a private institution to fullfill the above mentioned project on an esimate of Rs.1,846,585 prepared by the Pradeshiya Sabha under the provision of Rs.2,000,000of the Department of Provincial Trade Commerce and Tourism.

Work relating to the contract had been completed on 6 September 2017 and a sum of Rs. 1,417,891 had been paid on 17 January 2018.

The following observations are made in this regard.

- a) A sum of Rs. 1,350,000 had been estimated as Rs. 1,800 per square meter for supplying and fixing interlock blocks in 750 square meters under the work item No. 8 of the estimate. However specifications such as basis for preparing estimates or size and strength of interlock blocks had not been mentioned under the said work item.
- b) The position of interlock blocks had been examined twice by the Pradesheeya Sabha and the contractor, and once by the Department of Trade Commerce and Tourism and as different sizes had been mentioned in each test report as the size of the interlock and the strength mentioned in two test reports was less than the required amount of guidelines for laying interlock blocks, it was observed that the interlocks used for the contract was not in the due standard.
- c) Accordingly a sum of Rs. 1,079,987 had been paid to the contractor by submitting reasons as those blocks were not in the due standard and justifying the contractor.

4. Accountability and Good Governness

4.1 Budgetary Control

Even after transferring provisions between the heads of revenue and expenditure in the year under review, considerable variations were observed between the budgeted and the actual revenue and expenditure thus observing that the budget had not been made use of as an effective instrument of management control. The following observations are made in this regard.

- a) Any revenue had not been recovered from 3 revenue items of which the estimated revenue was Rs. 16,000.
- b) There were variations ranging from 44 per cent to 1160 per cent between estimated revenue and actual revenue relating to 24 revenue items.
- c) There were variations ranging from 22 per cent to 99 per cent between the net provision and actual expenditure relating to 21 expenditure items.
- d) Any expense had not been incurred from the provision of Rs. 215,000 made for two expenditure items and were saved.

4.2 Audit and Management Committee

Although audit and management committees had been held as per the letter of the Commissioner of Local Government No. CPC/CL/G/1/9/1/4 dated 8 August 2014, there were instances that the decision of those committees to avoid weaknesses of the institution.

5. Systems and Controls

Deficiencies observed in the course of Audit were brought to the notice of the chairman of the Sabha from time to time. Special attention is needed for the following areas of control.

System	Deficiency
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(a) Staff Administration	i. Vacancies in the approved carder. ii. Recruiting to unapproved posts.
(b) Assets Control	i. Idle and underutilized assets. ii. Classifications in accounting being incorrect. iii. Improper release to external parties. iv. Actions not being taken to confirm the ownership and security.
(c) Vehicle Administration	i. Fuel consumption not being tested. ii. Underutilization and idle vehicles. iii. Improper release to external parties.
(d) Budgetary Controls	i. Non-utilization of provisions. ii. Revenue targets not being achieved.
(e) Stores Administration	Stores items not being recorded accurately.