

Mathugama Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted on 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 October 2018.

1.2 Qualified 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 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Fixed assets amounting to Rs. 3,301,809 purchased during the year under review had not been capitalized.
- (b) Stamp Fees Revenue amounting to Rs. 34,000,000 relevant to the year under review had been shown under Charges for Services instead of showing under Other Revenue.
- (c) An expenditure amounting to Rs. 2,040,000 relevant to the preceding year had been shown as expenditure for the year under review in the financial statements.
- (d) Revenue Grants amounting to Rs. 300,000 received during the year under review relevant to the preceding year had been taken as a revenue for the year under review in the financial statements.
- (e) Works expenditure amounting to Rs. 35,448,117 which should be shown under program 03 had been shown under program 06.
- (d) Although the interest income relevant to fixed deposit account No. 070-60-01-00009557-9 in the Peoples' Bank was Rs.1,212,866, it had been shown as Rs.1,231,873 in the financial statements. Due to that, interest income for the year had been overstated in a sum of Rs. 19,007.
- (e) Inventory goods amounting to Rs. 1,460,097 purchased during the year under review and the value of inventory goods at the beginning of the year under review had not been assessed and shown in the financial statements.

- (f) A balance of Sabha Work Creditors amounting to Rs. .625,361 had been accounted twice. Due to that, Creditors balance had been overstated in a sum of Rs. .625,361 in the financial statements.
- (g) Expenditure amounting to Rs. 123,412 relevant to the year under review, paid during the year 2018 had been omitted in the financial statements.

1.3. 2 Non-reconciled Accounts

A non-reconciliation in a sum of Rs. 5,000,000 was observed between the balance of Rs. 4,478,500 relevant to an item of account shown in the financial statements and the balances shown in the relevant schedules.

1.3.3 Accounts Receivable

There was a balance of street lamps grants amounting to Rs. .358,225 and private bus stand fee of Rs. 96,000 outstanding to be recovered over a number of years.

1.3.4 Lack of Written Evidence Required for Audit

Two items of accounts amounting to Rs.10,586,462 could not be satisfactorily verified / vouched in audit due to lack of particulars of employees and schedules.

1.3. 5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non compliance
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	Rs.	
(a) i. Pradeshiya Sabha Act No. 15 of 1987 i Section 147 and 149	472,773	Although a charge up to one percent of the annual receipts should be recovered when granting a license to a hotel approved in the Tourist Board in terms of Tourist Board Act No. 14 of 1968, such charges had been under recovered from the Mathugama Rest House.
ii. Section 154 (1)		One percent tax of the selling price had not been recovered by the Sabha, as revenue from land auctioned in the area of

authority of the Sabha.

(b)	1988 Pradeshiya Sabha (Financial and Administrative) Rules Rule 218	297,120,250	All Lands and Buildings belong to the Sabha Had not been inspected once in every year
(c)	Part iv (b) of Gazette Notification No. 1966 dated 02 December 2016	16,900	Action had not been taken to recover charges relevant to 12 advertisement boards identified according to a survey carried out by the Sabha.
(d)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka i. Financial Regulation 371 (2) (c)	1,616,579	Although the advances given for a particular work should be settled immediately after completion of the relevant work, action had not been taken accordingly.
	ii. Financial Regulation 571	7,992,379	Action had not been taken with regard to time lapsed deposits
(e)	Public Administration Circular No.2016/30 dated 29 December 2016. Paragraph 3.1		Fuel consumption tests of the Sabha vehicles had not been carried out.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs.17,752,763 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 12,137,349 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown below.

Source of Revenue	2017		Revenue Collected	Balance as at 31 December	2016		Total Arrears as at 31 December	
	Estimated Revenue	Revenue Billed			Estimated Revenue	Revenue Billed		Revenue Collected
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	18,123,000	14,281,441	12,572,290	3,947,643	17,403,900	15,072,763	12,438,691	4,724,675
(ii) Rent	5,785,300	8,537,997	8,202,507	523,841	5,619,500	5,395,650	4,949,251	446,399
(iii) License Fees	400,000	392,500	372,250	20,250	245,000	267,471	267,471	-

2.2.2 Performance in Revenue Collection

While overall arrears of revenue of the Pradeshiya Sabha at the beginning of the year under review was Rs. 5,019,438, billings during the year amounted to Rs. 23,211,938. While receipts, write-off and adjustments during the year was Rs. 23,739,643, overall arrears of revenue at the end of the year under review was Rs.4,491,733.

2.2.3 Rates and Taxes

Rates

- While there was balance of Rates in arrears amounting to Rs. 4,303,939 at the beginning of the year under review, out of that, a sum of Rs. 2,249,686 or 52 percent only had been recovered during the year.
- While Rates billings for the year under review was Rs. 11,974,964 out of that, a sum of Rs. 10,211,440 or 85 percent only had been recovered during the year.

- (c) While Rates in arrears at the end of the year under review was Rs. 4,491,733, overall progress in recovery had been 74 percent.
- (d) An age analysis of Rates in arrears as at the end of the year under review was not furnished.

2.2.4 Rent

- (a) While there was balance of trade stalls rent in arrears amounting to Rs. 601,184 at the beginning of the year under review, out of that, a sum of Rs. 412,834 or 69 percent only had been recovered during the year.
- (b) While trade stalls billings for the year under review was Rs. 5,420,529, out of that, a sum of Rs. 5,085,039 or 94 percent only had been recovered during the year.
- (c) Out of arrears amounting to Rs. 523,841 at the end of the year under review, there was a balance of Rs.188,350 relevant to prior years.

2.2.5 License Fees

While there was balance of License Fees in arrears amounting to Rs. 100,200 at the beginning of the year under review, out of that, a sum of Rs. 35,400 or 35 percent only had been recovered during the year. Out of the balance of Business Tax in arrears amounting to Rs. 121,620 at the end of the year under review there was a balance of Rs. 23,400 relevant to prior years.

2.2.6 Other Revenue

Advertisement Boards Revenue

According to physical test checks carried out in the area of authority of the Pradeshiya Sabha, action had not been taken to recover a sum of Rs. 119,600 from 35 advertisement boards.

2.2.4 Court Fines and Stamp Fees

Although a sum of Rs. 34,000,000 and a sum of Rs. 1,000,000 had been billed as Stamp Fees and Court Fines respectively, any sum had not been recovered during year under review.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act for fulfillment of 16 main functions, by laws had been imposed only for three main functions even as at 31 December 2017.

(b) Action Plan

An action plan had not been prepared for 08 functions to be fulfilled by the Sabha according to the by-laws imposed.

(c) Lack of Provisions

Provisions had not been made through the annual budget for 06 functions, out of 28 functions required to be performed by the Sabha according to the action plan prepared in respect of Health and Welfare Services,

(d) Not reaching expected level of output

Out of 42 projects expected to be completed from Sabha funds during the year 2017, 14 projects had not been completed even up to the end of the year.

(e) Solid Wastes Management

While an expenditure amounting to Rs. .14,826,603 had been incurred by the Sabha for wastes management for the year 2017, Garbage Tax had not been imposed to cover or to minimize that expenditure.

(f) Sustainable Development Targets.

The Sabha was not aware of the Agenda - 2030 with regard to sustainable development objectives. Due to that, long term plans through new global index for uplifting of living standard and health of the people in the area of authority of the Sabha had not been prepared even as at 18 June 2018.

3.2 Management Inefficiencies

- (a) Action in terms of Sections 150(4) and 152 (4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken for the recovery of stalls rent, industrial tax and license fees due to the Sabha.

- (b) A Committee decision taken with regard to the policy to be adopted for reservation charges and rental charges for auditorium on concessionary basis, was not made available.
- (c) While action had not been taken to supply electricity to 37 trade stalls out of 105 trade stalls in the public market, action had been taken to recover charges daily, having supplied electricity to 07 trade stalls out of those on temporary basis.

3.3 Human Resources Management

(a) Vacant Cadre

- (a) While approved cadre of the Sabha relevant to 24 posts was 174, actual cadre had been 160. Accordingly, 14 vacancies were observed in 09 posts. In addition to the actual cadre, 07 persons on substitute basis, 03 persons on contract basis and 05 persons on acting basis had been enrolled. Forty two officers had been recruited relevant to 06 posts. in terms of Public Administration Circular No. 25/2014
- (b) The number officers engaged on other duties deviating from the work relevant to the posts were 45.
- (c) Although there are 17 vehicles belong to the Sabha, there were only 07 permanent drivers. Services of the Sabha laborers and peons had been obtained to fill the vacancies of the drivers.

3.4 Operational Inefficiencies

(a) Rates

- (i) Although the developed areas belong to Velipenna and Horawala Sub-offices situated in the area of authority of the Sabha had been identified in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987, approval of the Minister had not been obtained to recover Rates through a Sabha decision to recover Rates from those developed areas
- (ii) A list properties not assessed in the areas published as developed areas for Rates was not available in the Sabha.

(b) Lease of Properties

- (i) Lease agreement relevant to 38 trade stalls given on rent in the Mathugama Public Market had not been updated.
- (ii) Action had not been taken to transfer the legal ownership of lease to 24 sub-lessees in terms of Circular No. LGD/13/16 dated 09 November 2016.
- (iii) Action had not been taken to recover taxes from offices of the lawyers, functioning in the area of authority of the Sabha in terms of Section 152 (2) of the Pradeshiya Sabha Act No. 15 of 1987.

3.5 Improper Transactions

It has been informed vide Public Administration Circulars No. 05/2013 dated 22 April 2013 and No. 03/2016 dated 29 August 2016, that only the drivers and peons are entitled to the Uniforms and Tailoring Allowance. However, a uniform allowance of Rs. 156,000 had been paid to 39 sanitary laborers.

3.6 Un-economic Transactions

Suppliers had been registered for the year 2017 having called for quotations. However, purchases had been made on the basis of the quotations received for the year 2016, without making purchases based on those quotations. Due to that, the sum of Rs.34, 931 spent for the publication of the newspaper advertisement for calling for quotations for the year 2017 had become a fruitless expenditure.

3.7 Identified Losses

- (a) When making purchases for the year 2017, purchases had been made based on the quotations for the year 2016. Due to that, a loss of Rs. .496,680 had occurred in purchasing 06 items.
- (b) A weakness was observed with regard to issue of electrical items. According to physical tests, a shortage of 207 CFL Bulbs of Watts 23, costing Rs. 126,095 was observed.

3.8 Procurements

3.8.1 Supplies and Services

While the Sabha had spent a sum of Rs. 275,000 for the purchase of two goal posts, according to the standards, the radius of those two goal posts should have been 05 inches. According to the physical tests, it was revealed that the radius was 4.45 inches.

3.8.2 Contracts Administration

Although an expenditure amounting to Rs. 498,835 had been incurred for Meddegedara, Mathugamawatta Public Road Development Project, at the physical inspection, it was found that the length of the road was only 216.3 meters while it should have been 220 meters long according to the plan. And

4. Accountability and Good Governance

4.1 Budgetary Control

- (a) Variances between the budget for the year under review and actual revenue in a range from 19 percent to 320 percent and expenditure in a range from 01 percent to 37 percent were observed.

Therefore, it was observed that, the budget had not been made use of as an effective tool of management.

5. Systems and Controls

Deficiencies observed in audit were brought to the notice of the Sabha from time to time. Special attention of the Sabha is needed in the following areas of controls.

System -----	Deficiency -----
(a) Accountings	i. Omissions in accounts ii. Under / over statements in accounts.
(b) Creditors and Deposits	Non-preparation of schedules.
(c) Staff Management	Engagement on duties other than the duties relevant to the posts and vacancies and excesses in posts.
(d) Procurements	Deviation from procurement procedure.
(e) Revenue Administration	Delays in recovering stalls rent and electricity dues.
(f) Budget	i. Material variances between the budget and actual values. ii. Un-realistic revenue estimates.