

Mathale Municipal Council  
Mathale District  
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1 Financial Statements  
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1.1 Presentation of the Financial Statements  
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The financial statements of the year 2018 had been presented to the audit on the 10 April 2019 and the summary report of the Auditor General had been presented to the Mayor on 31 May 2019 and the detailed management report regarding the financial statements had been presented to the Mayor on 31 May 2019.

1.2 The Qualified Opinion  
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I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Mathale municipal council as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The basis for a Qualified opinion  
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1.3.1 Accounting deficiencies  
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Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Advance had been overstated by an amount of Rs. 108,181.	Rs. 108,181 shown in the advance account should be checked and corrected.	An amount of Rs. 323,755 which should to be received from a private entity had been stated in the trail balance.
(b) It had not been stated in the accounts the receivable balance of stamp fees amounting to Rs. 232,000.	Actions should be taken to adjust the stamp fees on the accounts	Although it had checked the schedules relating the month of April 2018 cheques had not been issued to the Sabha up to now.
(c) It had been overstated the payable balance for the Pension Contributor regarding the year under review by an amount of Rs.570,167.	It should be accounted accurately.	Action will be taken after investigation
(d) The creditors had been understated by an amount of Rs.536,401 hence the contribution to the pension	It should be corrected by investigation the	Actions will be taken watching the journal entries.

	amounting to Rs.15,155,076 which continuing from several years had accounted as 14,618,675	accurate value.	
(e)	03 vehicles worth of Rs.5,300,000 which were under running condition had not been accounted.	It should be accounted accurately	If any vehicle shown in the book is not included in the asset register as stated, it will be included
(f)	It was not observed physically the 13 vehicles worth of Rs. 2,307,001 which had included in the financial statements.	Proper actions should be taken to adjusting the accounts investigating about the physically absent vehicles	Accounts had been stated according to the real values which were in the books.
(g)	The contracted amount of Rs.263,000 for the construction of the road near the Little Bridge at the Kottegedera Northern Town boundary had been accounted under the creditors as Rs.26,300.	Actions should be taken to correct the accounting error by journal entries.	Although the value should be as Rs.263,000 it had stated as Rs.26,300 by a mistake. It will be corrected by journal entry.

1.3.2 Non reconciled control accounts

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
It had been observed a difference of Rs. 22,981, 812 when compare the total amount of Rs. 162,848, 650 of 09 accounts subject stated in the financial statements with their relevant schedules and supporting documents value of Rs 180,646,992.	Actions should be taken to correct the accounts by comparing the differences of the balances.	The reason for the decline in utility balance is the absence of a balance between the net balance of the current account and the monthly premium receivables. Actions will be taken after investigation.

### 1.3.3 Accounts payable and receivable

#### (a) Accounts receivable

Audit observation

Recommendation

Accounting Officer's  
Commentary

the receivable balance that could not settled since 08 of years was amounting to Rs. 4,876,065.

Action shall be taken to implement the provisions of the Municipal Council Ordinance and to recover the balance due

I will make arrangements to settle the accounts with doing payments to the relevant parties.

#### (b) Accounts payable

Audit observation

Recommendation

Accounting Officer's  
Commentary

The payable balances that had elapsed 03 years amounting to Rs. 72,953,228.

Actions should be taken to settlement the payable balances.

Actions will be taken in future to settle this creditors; balance.

### 1.3.4 Lack of written evidence required for the audit

Audit observation

Recommendation

Accounting Officer's  
Commentary

07 accounting subject worth of Rs. 13,690,623 had not been vouched satisfactorily in audit due to non submission of the audit evidence to the audit.

Proofs and other balances should be collected and presented in evidence.

In December 2018, the remaining outstanding balances could not be settled and they were instructed to review the balances separately and take action to correct them.

1.4 Non-compliance

1.4.1 Non-compliance with laws, rules, regulations and management decisions

References To rules and regulations and management decisions	Non-compliance	Recommendation	Accounting Officer's Commentary
(a) Slaughter house Ordinance No 9 of 1893 - Sections 5, 6 and 7	Actions had not been taken in relation to 3 private tortoises in the Sabha area for over 10 years. The Environmental Protection License was also not obtained.	Actions should be taken according to the provisions of the Act.	Since the municipal council does not have a slaughterhouse, the municipal council has no other means of meeting the meat requirements of the area and outside the area so the license had been issued.
(b) Section III of the Standard By-Law published in the Extraordinary Gazette No. 541/ 17of 20 January 1989	It had not been stated in the fixed assets register the 38 land and buildings with the estimated value of Rs. 1,020,272,000 and a land which was not stated the value	Land and buildings surveyed and assessed should be recorded in the Fixed Assets Register.	At present, a Permanent Asset Survey Board has been appointed and the lands and buildings belonging to the Council have been identified. A provisional assessment has been made and the final account is included.
(c) 104 and 105 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Investigations into three vehicle accidents in 2017 and 2018 have not been finalized.	The relevant investigations must be concluded and appropriate action should be taken.	While the inspection report of the vehicle bearing the number KH-4277 has not been received yet The Internal Audit Division has completed preliminary investigations into other accidents.

## 2. Financial Review

### 2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2018 amounted to Rs. 99,916,360 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 63,175,930

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed amount of Revenue, collected Revenue and outstanding Revenue

Details of Estimated Revenue, Billed Revenue, collected Revenue and Arrears of Revenue for the year under review and for the previous year are as follows.

Source of revenue	2018				2017			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 <sup>st</sup>	Estimated Revenue	Billed amount of revenue	Revenue collected	Total arrears as of December 31 <sup>st</sup>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates Taxes	36,772,000	36,735,292	25,247,284	24,248,572	36,150,000	36,221,114	24,756,470	23,836,699
Rent	18,855,000	18,023,309	15,537,642	3,803,085	18,671,000	19,110,584	16,528,021	4,167,134
Licences fees	8,553,000	11,216,012	10,993,012	223,000	8,033,000	10,647,215	10,089,290	14,000
Other Revenue	60,583,000	73,434,939	48,917,591	31,711,788	45,483,600	60,732,943	15,311,825	52,993,783
<b>Total</b>	<b>124,763,000</b>	<b>139,409,552</b>	<b>100,695,529</b>	<b>59,986,445</b>	<b>108,337,600</b>	<b>126,711,856</b>	<b>66,685,606</b>	<b>81,011,616</b>

#### 2.2.2 Performance in Revenue Collection

Audit observation	Recommendation	Accounting Officer's Commentary
(a) An amount of RS.23,425,994 which to be received as at the end of the year 2014 from 14 taxpayers for the stalls of the super market as the key money and 10% of late fees in this regard had not been recovered.	The receivable amount and the late fees should be recovered.	Action will be taken as the decision of the sabha.
(b) The Water Supply System operated by the Municipal Council had not been recovered an amount of Rs. 4,802,812 which to be	Relevant balances should be recovered.	There is a balance of these charges in the books and although several correspondences have been made to settle the matter,

received when it was transferred to the National Water Resources Board in 2001.

the arrears of the Water Resources Board have not been settled yet.

### 2.2.3 Rates and Taxes

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
(a) It had been recovered an amount of Rs. 10,969,758 only from the arrears balances of Rs.23,836,699 as at 01 January 2018.	Revenue should be recovered in accordance with the provisions of the Municipal Council Ordinance.	Assessment charges are billed quarterly and there is a constant deficit balance. Revenue Inspection Officers in charge of the respective divisions have issued notices of suspension of property. Action has been taken to ban the property.
(b) While 129 Assessment Units exceeding Rs. 15, 000 and should have paid Rs. 3,739,860 as at 31 December of the year under review, Their deficit time ranged from 4 to 5 quarters.	Revenue should be recovered in accordance with the provisions of the Municipal Council Ordinance.	Action had been taken to recoup the deficit by encouraging taxpayers to pay arrears. Also, action is being continuing by covering two (02) vacancies of Revenue Inspectors of the division.
(c) The amount of assessments to be recovered from 26 state institutions which had been in arrears for more than four quarters as at 31st December of the year was amounting to Rs.2,228,256.	Action should be taken in accordance with the circular no. Circular No: 2015/08 of the Local Government Commissioner.	Time Analysis Reports have been prepared in the first few months of 2019 for those institutions which have had a large deficit. Action has been initiated under the 2015/8 circular for other unpaid institutions.

2.2.4 Rents

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
(a) An amount of Rs.453, 596 in arrears which have been in force for more than three years had not been fulfilled in terms of the agreement.	Act in accordance with the agreement and rent There should be charging and due process.	I will take necessary steps to identify the places where rent is not paid and to resolve the issues that exist and to give them to the tenants or to give them on a daily basis.
(b) Since 2007 the toilet tax of Rs. 307, 281 from 4 persons has not been charged.	Rent should be properly recovered and legal action taken.	Steps have been taken to recover toilet rent balances and take legal action against those that do not pay.
(c) There was a deficit of Rs 1,534, 752 including monthly rent and value added tax for 2018.	Rent should be properly recovered and legal action taken	The Urban Development Authority has taken over the rest house owned by the council and the rent that the council owes to the church has continued to be scarce.
(d) Rent amount of Rs. 76,542 which to be received from coca cola and lottery stalls had not been recovered.	Legal proceedings should be followed.	Legal actions had been taken.

2. 2. 5 Court fines and stamp fees

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
An amount of Rs.384,500 of court fines and an amount of Rs. 27,225,700 of stamp fees had been remained to receive as at 31 December of the year under	It should be collected the arrears income promptly.	Since court fines and stamp fees are paid by the provincial council, those fees are constantly in arrears for months.

review.

We are constantly working to get it settled

## 2. 2. 6 Surcharges

Audit observation	Recommendation	Accounting Officer's Commentary
According to the surcharges imposed on those responsible, in accordance with the provisions of the Municipal Ordinance, a sum of Rs. 77,770 had to be collected as at 31 December of the year under review.	Legal action should be taken If it is not charged and surrendered.	I will look into the surcharge on a foreign trip. As there are not collected yet, three officers involved in the surcharge relating to the Kendagolla by-road had been appealed.

## 3 Operational review

### 3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 04 of the Act.

#### (a) Non-receipt of expected Outcome

Audit observation	Recommendation	Accounting Officer's Commentary
Two clinic centres that have been under construction for a period of three years by expending an amount of Rs. 4,179,176 from the Sabha fund and various allocations had not been completed.	Construction should be completed and utilized immediately.	Answers had not been given



(b) Abandoned Tasks

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Audit observation

Recommendation

Accounting Officer's  
Commentary

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During the year under review, 3 industries with provision of Rs. 691,611 had been stopped

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Tasks of the project should be started.

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Answers had not been given

(c) Solid Waste Management

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Audit observation

Recommendation

Accounting Officer's  
Commentary

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(i) Twenty metric tonnes of garbage collected monthly was unintentionally dumped into a private land called Wariyapola Watta.

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Act according to the answers had given and does a proper monitoring should be done.

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About 150 feet away from the riverbank, the garbage is being dumped. A pit in the vicinity of the river has been drained to prevent the effluent from flowing into the river.

(ii) Although The 5 acre land in Viharagamawatta was purchased for Rs. 2,000,000 in 2010 and Rs. 400,000 has been spent on the basic feasibility and design of its sanitary landfill this land had not been used for dumping waste.

The needs must be properly met.

I inform that the answer will be found in the future.

(d) Issues on Environment

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Audit observation

Recommendation

Accounting Officer's  
Commentary

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In terms of the provisions of the National Environmental Act No. 47of 1980, as amended by Act No. 53of 2000and Act No. 56of 1988, no Environmental License was obtained for the Sewage Disposal System.

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An environmental license must be obtained expeditiously.

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The application and documents required for obtaining the EPL have been forwarded to the CEA.

(e) Sustainable Development Goals

Audit observation	Recommendation	Accounting Officer's Commentary
Due to the lack of formal knowledge of the 2030 Agenda on Sustainable Development Goals, the long-term plans have not been prepared.	Long-term plans need to be worked out.	Answer had not been given

3.2 management inefficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
(a) Five fish stalls at the supermarket and a fish stall at the Gongawela market complex had been contracted in 2004, but by the end of the year under review the rent had not been revised and no new agreements had been reached.	Shop rent should be amended and entered into agreements	Answer had not been given
(b) An amount of Rs.55,318 had not been charged for the 33 stall in the complex which had been leased to the Ceylon Fisheries Corporation since which had closed since 2008	The receivable amounts should be collected.	Answer had not been given
(c) It had not been chargeg business license fees out of 53 businesses operating in the area, business taxes from 80 and business tax from 15 business enterprises.	Take action to recover trade license fees, industry taxes and business taxes.	Answer had not been given
(d) Nine fish stalls in the council area had been run without commercial permits due to lack of health recommendation.	The preliminary work needs to be done.	Answer had not been given

### 3.3 Human Resource Management

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Audit observation  
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According to the letter of CPC / CS / 2/ 3/ C / 4/ 02dated 25th July 2018of the Chief Secretary of the Central Province, although it has been approved to recruit a driver for a period of 3months only in contract basis. From 08th June 2018, the same driver deploye in service and had paid

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Recommendation  
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Action shall be taken as per the letter of the Chief Secretary dated 25th July 2018, CPC / CS / 2/3 / C / 4/02.

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Accounting Officer's  
Commentary  
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The Commissioner of Local Government has been informed about this.

### 3.4 Assets Management

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3.4.1 Non verifying the protection of Assets  
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Audit observation  
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(a) Suduganga Estate, which is 5 acres, 2 roods and 16 perches, had not been demarcated.

(b) Survey plans had been prepared for 19 other lands which were used by the Municipal Council for various purposes but there were no title deeds or transfer orders

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Recommendation  
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The boundaries of the land should be identified and the security established.

Relating to lands should be submitted and forwarded.

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Accounting Officer's  
Commentary  
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The municipal council owns the survey plan of the land called Suduganga Watta and the deed of the land has not been marked by physical boundaries. Action is being taken to get physical borders by calling for bids from authorized surveyors.

A request has been made to the Registrar for lands which are not deeds and work is underway to prepare declaration deeds for lands which cannot be dedeed.

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| (c) | According to the Land and Buildings Survey report, it had had unauthorized constructed in the two lands worth Rs. 2,600, 000but no action had been taken. | The actions taken in this regard should be clarified | These two locations have been identified by the Asset Survey Board and action is being taken to take over the possession of the two lands to the Urban Council. |
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3.4.2 Idle and Under Utilized Assets

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Audit observation  
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Recommendation  
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Accounting Officer's  
Commentary  
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According to a Land and Building Survey Report dated 21 March 2019, the Aluvihara Children's Park, worth Rs. 800,000 had not been used at a useful task.

It should be used effectively to meet the desired objectives.

Aluvihara Children's Park is being developed as a children's park in the future.

3.5 Idle and Under Utilized Assets

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Audit observation  
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Recommendation  
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Accounting Officer's  
Commentary  
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In two instances, although an amount of Rs. 218,121 had been spent to advertise the bids The money spent on it was a futile expense due later resulted in the rejection of those purchases

Purchases should be made in a systematic manner

According to the reports of the Technical Evaluation Committee it has been recommended that the quotations are not suitable for the purchase and therefore no such purchases have been made.

3.6 The Procurement Plan

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Audit observation  
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Recommendation  
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Accounting Officer's  
Commentary  
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A procurement plan and a procurement schedule had not been prepared in accordance with 4.2.1 and 4.2.3 of the Procurement Guidelines.

Actions should be taken according to the procurement guidelines

The answer had not been given

3.6.1 Supplying and Services  
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Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) According to Section 11 (c) of the Standard By-Law, there had been no recommendation made by the Finance Committee on two occasions for purchases totalling Rs. 149,145 which had above the lowest price above.	it should be followed the available laws, rules and regulations.	The expenses incurred for the best and the most economical work to be considered in the various developmental activities of the Municipal Council.
(b) When purchasing LED street lamps, it had done on issued quotations by 3 occasions from institutions which have been selected improperly in contravention of Section 3(4) (c) and Procurement Guidelines 3: 2or 3: 4of the Municipal Council Standard by-law published in the Gazette No. 541/17. 715, 000worth of LED street lamps had been purchased without the recommendations of the TEC.	it should be followed the procurement guildlines.	At the request of the Hon. Mayor, quotations were made for 150w at one time and 100w at another time. If a newspaper advertisement was purchased to purchase 60 bulbs, the cost would be much higher so it had purchased the bulb by sending the letters trough registered post.
(c) It had occured a loss of Rs.309, 000 to the sabah fund due purchasded the bul at the prices presented by a supplier of Rs.11, 500and Rs .12,750 respectively while it was availblng the lowes price for a bulb of100w as Rs.6, 900and 150w bulb to the price 6,500.	Procurement guidelines should be followed. Compliance with Tender Boards and Technical Evaluation Reports	The tender committee has decided that the minimum bid lamp does not meet the requirements and that it has acted according to the council's orders.

4. Accountability and good governance

4.1 audit and Management Committee

Audit observation

Recommendation

Accounting Officer's  
Commentary

Audit and Management Committees were held on two occasions during the year under review.

1 Audit and Management Committee should be held once for a quarter.

Steps have been taken to hold the audit committees as scheduled from .2019

4.2 Audit queries which had not answered

Audit observation

Recommendation

Accounting Officer's  
Commentary

It had not been answered to 05 audit queries which had issued to the Sabha as at 31 December of the year under review with a countable value of Rs.12,531,771.

taking actions according to the section 38(1)(e) of National Audit Act.

Please note that only five audit queries have been sent to the council by 31st December 2018, as 31.05.2018 are in the process of being answered.