

Matale Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Auditor General on 28 March 2014 while Financial Statements relating to the preceding year had been submitted on 25 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 27 August 2014.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of my report sent to the Chairman, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Matale Pradeshiya Sabha as at 31 December 2013 and financial results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial Statements had not been prepared in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a.) Value of 10 items of buildings had not been assessed and accounted.
- (b.) An advance of Rs. 100,000 paid for the purchase of an almirah for a sum of Rs.430,000 had been accounted as Fixed Assets.
- (c.)
 - (i) 15 Perches of land valued at Rs. 100,000 in the Newcity Ellepola Estate and value of 08 blocks of land in extent of 04 acres 03 roods 16 perches had not been assessed and accounted.
 - (ii) Although a part of the Atambagahayaya land valued at Rs. 60,000 in extent of 07 perches had been transferred on a deed of gift in 2008, action

had not been taken to remove the value of that from the accounts.

- (d.) Creditors' balances totalling to Rs.2,384,399 and contribution amounting to Rs.10,385 payable to the Local Government Pension Fund had been omitted in the accounts.
- (e.) Income of Rs.348,625 receivable for hiring out water bowser had not been accounted.

1.3.3 Accounts Receivable and Payable

Following matters were observed.

(a.) Accounts Receivable

While the total of 06 balances of Accounts Receivable as at 31 December 2013 amounted to Rs. 31,014,876 balances that had elapsed more than a year included therein amounted to Rs. 15,698,874.

(b.) Accounts Payable

While the expense creditors balance as at 31 December 2013 amounted to Rs.25,113,989, balances that had elapsed more than a year included therein amounted to Rs. 10,661,650.

1.3.4 Lack of Evidence for Audit

Transactions totalling Rs. 34,552,978 could not be satisfactorily vouched in audit, due to non-submission of required information.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations etc.

Non-compliance

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| (a.) Sections 132 of the Pradeshiya Sabha Act No. 15 of 1987 | - A sum of Rs. 162,929 had been spent in 25 instances for activities not allowed in term of Provisions referred to, during the year under review. |
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- (b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Regulation 371(2) - Out of the advances given during the preceding year, a balance of Rs.310,367 had not been settled.
- (c.) Circulars of the Commissioner of Local Government of the Central Provincial Council
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- (i.) Circular No.3/2/2/4 dated 23 March 2013 - A Sum of Rs.150,000 had been over paid for 10 months during the year under review, due to payment of telephone expenses in excess of approved limit of Rs.1,000 per month.
- (ii.) Circular No.01/2013 dated 05 April 2013 - Fuel Allowance mounting to Rs. 212,500 had been paid to 15 members who did not submit daily running charts.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2013 amounted to Rs.13,241,697 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 16,312,198. When compared with the preceding year, a decline of Rs. 3,070,501 was shown in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

While the progress in recovery of revenue relating to 02 projects out of 16 water projects in operation was at a level of 10 per cent and 55 per cent, progress in recovery of revenue relating to another 13 projects was in a range between 0 percent and 69 per cent.

2.2.2 Rates

A total sum of Rs. 315,021 was due to be recovered as Rs. 220,554 out of billings during the year under review and Rs. 94,467 as arrears rates relevant to prior years.

2.2.3 Other Revenue

A total sum of Rs. 1,875,000 was due to be recovered as ground rent and estimates charges for construction of stalls as at the end of the year under review.

2.2.4 Court Fines and Stamp Fees

A sum of Rs. 653,501 on account of court fines and a sum of Rs.9,205,076 on account of stamp fees was due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities.

2.3 Surcharges

A sum of Rs. 1,737,060 was due to be recovered as at 31 December 2013 relating to surcharges imposed during the year under review and prior years.

3. Operating Review

3.1 Operational Inefficiencies

Following matters were observed.

- (a.) Although approval had been given to 700 building applications out of the applications received during the year under review and preceding two years, Certificates of Conformity in terms of Section 21 of the Urban Development Authority Act No. 41 of 1978 had been issued only for 63 Applications.
- (b.) Arrears of loan balances amounting to Rs.119,192 were due to be recovered from 10 officers who had retired or vacated post.
- (c.) Hire charges amounting to Rs.335,000 had been paid for two vehicles obtained on rent without calling for quotations properly.
- (d.) Although License Fees had been recovered having identified 206 trade stalls to be issued with licenses, out of those, licenses had been issued only to 79 trade stalls. Balance 127 trade stalls had been engaged in business without obtaining licenses.

3.2 Idle/Under-utilized Assets

Microphone Set costing Rs.33,500 and 15 items of goods value of which could not be assessed remained idle or under-utilized.

3.3 Identified Losses

A surcharge of Rs. 10,388 had been paid out of Sabah Fund due to non-remittance of contributions relating to preceding 03 years in terms of provisions of Employees' Trust Fund Act No. 46 of 1980 as amended by Act No. 18 of 1993.

3.4 Contract Administration

Following matters were observed in the physical examination carried out relating to development work by fixing stone blocks in 03 roads out of provisions made available under "Maga Neguma".

Particulars of Work	Estimated Amount	Observations
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(i.) Access road to Beeridevola Colony Stage 1	Rs. 500,000	While stone blocks had sunk in part of the road in 17 meters length, an expenditure amounting to Rs.45,860 had been incurred for that.
(ii.) Serugala access road in Aluvihare	500,000	Although payment should be made for 237.86 square meters, payments had been made for 243.01 square meters. Due to that a sum of Rs. 14,090 had been over paid.
(iii.) Aluvihare Pivithuru Mawatha - Second Lane, First Stage	500,000	Although payment should be made for 239 square meters, payments had been made for 243 square meter. Due to that a sum of Rs. 8,228 had been over paid.

3.5 Solid Waste Management

While a quantity in a range between 20 k.g. and 25 k.g. is being made daily in the compose yard of the Sabha, 01 k.g. is sold for Rs.10. However a proper supervision had not been done with regard to production and sale.

4. Accountability and Good Governance

4.1 Budgetary Control

Out of the provision of Rs.8,276,000 made available for 37 items of expenditure through the budget, transfers to other items of expenditure or savings had been made without incurring any expenditure. Out of the budgeted revenue of Rs. 350,000 under 02 items of any revenue had not been earned. Revenue earning percentage relating to other 08 items of revenue was at a low level in a range between 2 percent and 30 percent. Accordingly, it was observed that the Budget had not been utilized as effective tool of management.

5. Systems and Controls

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Special attention of the Sabah is needed in the following areas of controls.

- (a.) Recovery of revenue in arrears
- (b.) Budgetary Control
- (c.) Assets Control
- (d.) Debtors and Creditors Control
- (e.) Stores Control
- (f.) Financial Management