

## **Matale Pradeshiya Sabha**

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### **Matale District**

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#### **1. Financial Statements**

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

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Financial Statements for the year under review had been submitted to Auditor General on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 22 July 2015.

##### **1.2 Opinion**

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I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, 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 Matale Pradeshiya Sabha as at 31 December 2014 and financial results of its operation for the year then ended and cash flows.

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

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

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Following accounting deficiencies were observed in audit.

- (a) Value of 03 Revenue and Expenditure items totalling Rs. 167,447,102 had been shown as Rs. 171,508,392 in the financial statements. Due to that, Assets and Liabilities had been overstated in a sum of Rs. 4,061,290 in the accounts.

- (b) Value of 03 items of accounts totalling Rs. 108,887,116 had been shown as Rs. 102,755,052 in the financial statements. Due to that, Revenue and Expenditure had been understated in a sum of Rs. 6,132,064 in the accounts.
- (c) Action had not been taken to delete the value of buildings demolished and removed amounting to Rs. 88,490. While the balance of that account had been overstated to that extent, expenditure incurred amounting to Rs 910,273 for the construction of a Library and a Play Ground had not been capitalized.
- (d) While the value of Office Equipment, Furniture and Fixtures totalling Rs. 1,419,734 has not been capitalized, value of 02 items o Machinery and Furniture amounting to Rs. 222,200 had been understated in the accounts.
- (e) Value of 03 items of Fixed assets received as donations to the Ayurvedic Dispensary and Revenue amounting to Rs. 262,500 due to be received for hire of J.C.B. Machine had not been accounted.
- (f) Value of the of the Double Cab Vehicle amounting Rs. 6,390,000 received as donations from the Ministry of Provincial Councils and Regional Development had not been accounted as Capital Grants.
- (g) Provision for Creditors had not been made in respect of the expenditure payable amounting to Rs. 158,464 relevant to the year under review.

### **1.3.2 Non-reconciled Control Accounts**

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Discrepancies totalling Rs. 710,866 were observed between 03 items of accounts totaling Rs. 13,690,739 shown in the financial statements and the balances shown in the relevant subsidiary registers and reports.

### 1.3.3 Accounts Receivable

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While the total of 08 balances of Accounts Receivable as at the date of end of the year under review amounted to Rs. 56,439,202, five balances totalling Rs. 2,260,625 that had elapsed more than 03 years had been included therein.

### 1.3.4 Accounts Payable

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While the total value of 10 Creditors balance as at the date of end of the year under review amounted to Rs. 51,864,326, four balances that had elapsed more than 03 years totaling Rs. 3,470,363 had been included therein.

### 1.3.5 Lack of Evidence for Audit

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Transactions totalling Rs. 40,593,272 relevant to 03 items of accounts could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

### 1.3.6 Non-compliance with Laws, Rules, Regulations etc.

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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 | - Attendance Allowances amounting to Rs.169,000 had been paid to the Chairman, the Vice Chairman and the Members for participating in General Sabha Meetings and Special General Sabha Meetings without complying with the Section referred to in. |
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- (b.) Public Finance Circular No.PF/437 Dated 18 September 2009 - Insurance Cover for 12 vehicles belong to the Sabha had been obtained from a private Insurance Company having paid a sum of Rs. 219,533

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.15,288,566 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.13,241,697. When compared with the preceding year, an improvement of Rs.2,046,869 was shown in the financial results for the year under review.

### **2.2 Analytical Financial Review**

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Some of the significant information relating to financial position and financial performance for the year under review and the preceding 02 years of the Sabha are given below.

- (a) When surplus of financial result is taken as a percentage of operational revenue, a continuous decline was indicted.
- (b) While a continuous upward trend is indicated with regard to the ratio between the total revenue and expenditure, it was observed as un-satisfactory position with regard to financial control.
- (c) A continuous decrease was indicated in the working capital during the past years.

## **2.3 Revenue Administration**

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### **2.3.1 Performance in Revenue Collection**

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While Water Charges in arrears as at the end of the year was Rs.4,497,627, balances irrecoverable amounting to Rs.546,918 and balances in arrears for more than 03 years amounting to Rs.1,516,233 were included therein.

### **2.3.2 Rates**

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While the balance of Rates in arrears as at the end of the year amounted to Rs. 774, 089, balances in arrears for more than 03 years amounting to Rs. 62,594 were included therein.

### **2.3.3 Acreage Tax**

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While the balance of Acreage Tax in arrears as at the end of the year amounted to Rs221,428, balances in arrears for more than 03 years amounting to Rs. 206,731 were included therein.

### **2.3.4 Court Fines and Stamp Fees**

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A sum of Rs. 1,126,203 on account of Court Fines and a sum of Rs. 9,310,027 on account of Stamp Fees were due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities.

### **2.3.5 Surcharges**

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A sum of Rs. 1,737,060 was due to be recovered relevant to surcharges imposed during the past years in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.

### **3. Operating Review**

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#### **3.1 Operational Inefficiencies**

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Although 686 building applications had been approved out of the 935 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 43 applications.

#### **3.2 Idle/Under-utilized Assets**

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Following matters are observed.

- (a) A Motor Cycle costing Rs. 30,000 had been parked in the Sabha Ground during a period of about 02 years without being used for any purpose.
  
- (b) Fifty eight Name Boards made having incurred expenditure amounting to Rs. 343,128 for fixing in respect of Projects implemented during the year under review had been kept in the stores without being used for the relevant Projects.

#### **3.3 Identified Losses**

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A sum of Rs. 104,430 had been paid as surcharge out of Sabah Fund due to non-remittance of Contributions on behalf of the Sabha Employees for the period commencing from the year 2003 to 2010.

#### **3.4 Improper Transactions**

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- (a) Vehicle Hire Charges amounting to Rs. 297,400 had been paid for a cab vehicle obtained for official duties through neither calling for open quotations nor by registered post and without entering into a formal agreement with the selected supplier.

- (b) When purchasing a Cab Vehicle by the Sabha during the year under review, lowest quotation of Rs. 7,390,000 submitted had been rejected on the grounds of non-submission of the vehicle catalogue and the purchase had been made for a sum of Rs. 7,750,000 resulting an additional payment of a sum of Rs. 360,000.

### 3.5 Contract Administration

Following matters are observed.

Provision	Name of the Work	Amount Spent	Date of Physical Inspection	Deficiency
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		Rs.		
(a) Palath Neguma Development Grants	Completion of balance work of the Aluviharaya Multi Purpose Building	962,928	19.05.2015	(i) Although the objective was to utilize as a Milk Collection Centre, building had been kept closed.  (ii) Legal ownership of the Building had not been vested in the Sabha.
(b) Gama Neguma One Job for One Village Program	Concreting First Lane Beeridevola	489,241	19.05.2015	While the road had been developed as access to only 02 houses there had not been a vehicle traffic on the road.

(c) Palath Neguma Development Grants	Construction of retaining walls on Medagamwatta Road	1,176,000	19.05.2015	Although the relevant retaining walls had been used as the road surface of the part with paddy fields, Part of the road had not been made by earth filling, to make it possible to use the road.
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### **3.6 Solid Waste Management**

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It was observed that the garbage collected daily in the area of authority of Sabha are sorted out by engaging 04 scavenge laborers and thereafter about 400 kilo grams are utilized for manufacturing compost and that a quantity of about 40 per cent of the garbage collected are being covered with soil without following a proper methodology for disposal of polythene.

## **4. Accountability and Good Governance**

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### **4.1 Internal Audit**

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Although one officer had been appointed for the Internal Audit Section without a written assignment of duties, , an internal audit to the expected level had not been taken place as other duties too had been assigned to him.



## **4.2 Audit and Management Committees**

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Action had not been taken to establish Audit and Management Committees in terms of the letter No.CPC/CLG/1/9/1/4 dated 08 August 2014 of the Commissioner of Local Government.

## **4.3 Budgetary Control**

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- (a) While any revenue had not been earned from estimated revenue amounting to Rs.6,752,000 relating to 09 Items of Revenue, there were variations in a range of 2 to 66 per cent between the estimated and actual revenue of another 20 Items of Revenue.
- (b) While the entire provision of Rs. 1,148,000 made available for 24 Items of Expenditure had been saved, there were variations in a range of 1 to 69 per cent between the net provision and actual expenditure in another 25 Items of Expenditure.
- (c) Even after amendments of the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure as per particulars given below. Accordingly it was observed that, the Budget had not been made use of as an effective tool of management.

#### **4.4 Audit Queries not resolved and not replied**

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While replies had not been furnished to 05 queries issued to the Sabha, the value of transactions which could be worked out, subject to those queries was Rs. 21,444,788.

#### **5. Systems and Controls**

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

- (a.) Accounting
- (b.) Assets Management
- (c.) Budgetary Control
- (d.) Debtors and Creditors Control
- (e.) Contracts Control
- (f.) Human Resources Management