

Matale Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 15 June 2016.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Matala Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters are observed.

- (a) The arrears of salaries reimbursable for the year under review had been understated in the accounts by Rs.9,596,044.
- (b) The revenue obtained from hire of Becko machine for the year had been understated in the accounts by Rs.52,950.
- (c) The carpet purchased during the year valued at Rs.6,500 had not been brought to account and the value of 02 office tables had been understated in the accounts by Rs.7,457. As a result, the fixed assets had been understated in the accounts by Rs.13,957.
- (d) The revenue of stamp fees for the year and the revenue of stamp fees receivable had been overstated in the accounts by Rs.724,150.
- (e) The Sabha had acquired the land valued at Rs.100,000 on 02 May 2014 which it had obtained for general purposes while selling the blocks of land at Nagarwaththa. This value had not been brought to account.

1.3.2 Unreconciled Control Accounts

A difference of Rs.208,495 was observed between the balances of 02 items of accounts aggregating Rs.27,607,825 as per financial statements and the related values shown in the subsidiary registers and reports.

1.3.3 Accounts Receivable

The balances of 09 accounts receivable amounted to Rs.29,966,961 of which the balances of Rs.1,016,407 related to a period of over 03 years.

1.3.4 Accounts Payable

The value of balances of 10 accounts of creditors amounted to Rs.13,651,564 of which a sum of Rs.3,739,845 related to a period of over 03 years.

1.3.5 Lack of Evidence for Audit

Transactions of 02 items of accounts aggregating Rs.475,078 could not be satisfactorily vouched in audit due to non rendition of necessary evidence.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.19,480,163 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.15,288,562 showing an improvement in financial results of the year under review by Rs.4,191,597.

2.2 Revenue Administration

2.2.1 Water Charges

- (a) The balances of arrears of water charges as at end of the year under review amounted to Rs.4,615,301. The arrears of balances of 04 inoperative schemes relating to 2010, 2012 and 2014 amounting to Rs.1,089,541 had been included in this. The balances of arrears of water charges amounting to Rs.820,318 remaining unrecovered from 214 water consumers of 08 water schemes whose supply of services had been disconnected in 2012, 2013 and 2014 for non payment of water bills too had been included in this.
- (b) The minimum fixed charges of Rs.300 per month had been recovered from consumers whose water meters had become inoperative. Action had not been taken to install new

meters and recover charges on the units of water consumed. As a sample, a monthly rate of 300 per month had been recovered from 42 consumers of 05 water schemes due to malfunctioning of water meters.

2.2.2 Rates and Taxes

Action had not been taken in terms of 1988 Pradeshiya Sabha (Finance and Administration) Rule 33 with regard to the balance of arrears of rates and taxes amounting to Rs.909,396.

2.2.3 Acreage Tax

The balances of arrears of acreage tax as at 31 December 2015 amounted to Rs.227,025.

2.2.4 Other Revenue

Fees chargeable from vehicles transporting rubbles and dolomite under the provisions in Part iv(a) of the bye laws published in the Gazette Extra Ordinary No.1838/55 dated 29 November 2013 for limiting the travel of heavy vehicles on the roads and highways belonging to the Sabha for the year 2015 had not been recovered.

Action had not been taken to recover the car park charges of Rs.17,000.

2.2.5 Court Fines and Stamp Fees

Court fines amounting to Rs.987,347 and stamp fees amounting to Rs.17,481,140 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015. Of these, court fees amounting to Rs.238,532 and stamp fees amounting to Rs.12,592,500 were further due by 26 May 2016.

2.3 Surcharge

A sum of Rs.1,426,708 were due on the surcharge imposed during the previous years in terms of provisions in the Pradeshiya Sabha Act No.15 of 1987.

3. Operating Review

3.1 Management Inefficiencies

The following matters are observed.

- (a) Seven employees had been recruited in November 2014 for 07 posts of the Sabha for which there were no vacancies. As a result, 14 employees had been recruited in excess of the approved cadre.

- (b) A meter reader had been recruited on a contract basis from 2011 on a decision made by the Sabha. Action had not been taken to include this post in the permanent cadre considering the necessity of the post. Instead, a sum of Rs.348,427 had been paid as salaries from the funds of the Sabha.
- (c) According to the register of trade licences, the number of environmental protection licences to be issued within authoritative area of the Sabha had not been issued to 64 out of 85 enterprises.
- (d) Action had not been taken to recover Rs.10,097 due from 9 officers who had retired/ vacated posts in terms of paragraph 6 of the Accounts Circular No.95/9 of 27 December 1995 issued by the Chief Secretary, Central Province.
- (e) A survey of vehicles and equipment had not been conducted as required by Financial Regulation 1647(a) of the Republic of Sri Lanka.
- (f) Necessary action had not been taken with regard to the shortage of 82 books valued at Rs.7,342 revealed at the verification carried out on 31 December 2015 at the public library of the Sabha at Palapathwala.

3.3 Irregular Transactions

The following matters are observed.

- (a) A sum of Rs.457,321 had been spent on 04 occasions for matters such as, packing the pre school uniforms and official uniforms, printing of diaries and issue of signature pens to members for which there was no provision in Section 132 of the Pradeshiya Sabha Act No.15 of 1987.
- (b) The Sabha had been dissolved on 13 May 2015. But, the entire monthly allowances for the month of May had been paid to the members. As a result, the amount overpaid to 18 members was Rs.170,500.
- (c) Holiday pay cannot be paid for a normal working day of a week. However, the assistance of two medical officers had been obtained from the Thenna Ayurvedic Centre during 2 days a week to work at the Independent Ayurveda maintained by the Sabha to cover up the vacancies and holiday pay amounting to Rs.74,584 being 1/30 of their basic salaries had been paid.

3.3 Transactions without Authority

- (a) Eight water controllers had been recruited without proper approval and a sum of Rs.406,064 had been paid as allowances during the year 2015 from the funds of the Sabha.

- (b) Allowances amounting to Rs.1,352,753 had been paid during the year to 05 employees who had not completed a period of service of 180 days and to 04 employees who had been re-employed on casual basis in addition to the 35 employees who had been permanently appointed in terms of the Public Administration Circular No.25/2014 of 12 November 2014.
- (c) According to the Letter No. 3/2/2/4 of 23 March 2012 of the Commissioner of Local Government, Central Province, a monthly telephone allowances of Rs.1,000 only could be paid to members from the funds of the respective local authority. However, a sum of Rs.17,223 had been paid exceeding the said limit on behalf of the residential telephone of the Vice Chairman of the Sabha for the period January to March of the year under review.

3.4 Contract Administration

The following matters are observed.

3.4.1 Non implementation of Projects included in the Development Plans

Forty one projects totally valued at Rs.9.800,000 included in the development plan prepared for the year 2015 had not been implemented during the year.

3.4.2 Strengthening of Pradeshiya Sabhas Programme

Fifteen projects had been planned to be implemented from the approved provision of Rs.6,000,000 under the 2015 Strengthening of Pradeshiya Sabhas Programme. But, 10 projects amounting to Rs.3,500,000 had not been fulfilled.

3.4.3 Cleansing of the Rathmalagaha Ela Ukuwela Elawella

The Rathmalgaha Ela Ukuwela Elawella project had been carried out by spending Rs.380,609 under the Village Awakening Programme 2015 by the Ministry of Housing and Samurhi in parallel with the 100 Days Programme. Although the contractor was required to construct a culvert of 24.5 cubic metres, the culvert constructed was of 15.26 cubic meters. Overflow of water to the paddy fields could not be controlled as the concrete culvert was not of the required measurement. It was observed at a physical verification carried out on 07 April 2016 that the expected objective of the project had not been achieved.

3.4.4 Construction of the Kawatayamuna Community Centre

A sum of Rs.683,680 had been spent to construct the Kawatayamuna Community Centre under the Village Awakening Programme 2015. A sum of Rs.32,831 had been paid to the contractor for 1.89 square metres at the rate of Rs.17,371 per square metre to make a door under the Work Item

No.10 of the estimate/ work completion report by utilizing special Jack timber with special thickness and by using Union Lock and high quality hinges. However, the planks of this door had been fitted leaving a space of ¼ - ½ inches between each plank. As such, the work had not been completed with super finishing as stipulated in the estimates.

3.4.5 Development of the Roundabout Road at Nikawela C Portion

A sum of Rs.489,410 had been spent to develop the roundabout road at Nikawela C portion Project under the Village Awakening Programme 2015. According to the work Item No.9 of the approved estimate, the amount required for filling soil on either side of the road for 6.80 cubic metres at Rs.2,005.15 per cubic metre amounted to Rs.13,635. The estimated amount had been paid to the contractor by entering it as work completion in the work completion report. But, a field inspection carried out on 30 March 2016 revealed that the soil had not been filled on either side of the road.

3.4.6 Construction of the Agricultural Centre, Padivita Welagama

An agreement had been entered into with a Farmers' organization to construct the Welagama Agricultural Centre for Rs.981,000 under the general funds for which a sum of Rs.327,933 had been spent. But, only 08 out of the 15 work items had been completed and the project had been handed over on 02 March 2015. Necessary action had not been taken for non completion of work as per agreement or to complete the work that had not been done. As such, the sum of Rs.327,933 paid while settling the bills had become a fruitless expenditure.

3.5 Solid Waste Material Management

The garbage collected within the authoritative area of the Sabha is sorted out by 04 labourers at the compost division constructed at Palapathwela and about 400 Kilogrammes of compost had been produced daily. A proper method had not been adopted to dispose of, the 40 per cent polythene included in the garbage collected. Instead, the method adopted was to cover it up with soil.

3.6 Assets Management

Idle and Under Utilized Assets

The following matters are observed.

- (a) Forty computers, 40 chairs, 40 tables and a projector had been obtained from the Ministry of Telecommunication and Information Technology on 10 December 2014 under the Islandwide Improvement of Information Technology Facilities E-Crafts Project. But, the project had not been commenced even by end of the year under review and as such the items concerned remained idle.

- (b) A motor cycle valued at Rs.30,000 bearing No.111-3207 remained parked at the Pradeshiya Sabha premises for over 3 years without being used.

4. Good Governance and Accountability

4.1 Budgetary Control

Significant variances were observed between the budgeted and actual revenue and expenditure consequent to the transfer of provisions among the items of revenue and expenditure. Thus, it was observed that the budget had not been utilized as an efficient instrument of management control.

- (a) Variances ranging from 10 to 99 per cent were observed between the estimated revenue and the actual revenue of 32 items of revenue. The estimated revenue from tenders was Rs.22,000,000. However, the Sabha had failed to recover any tender revenue during the year under review.
- (b) A sum of Rs.3,340,000 had been provided for 26 objects, None of these had been utilized resulting in savings. Variances between the net provision and the expenditure of 77 objects ranged from 05 to 99 per cent.

4.2 Internal Audit

An internal audit had not been carried out in terms of 1988 Pradeshiya Sabha (Finance and Administration) Rule 5 (7)

5. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Audit
- (c) Budgetary Control
- (d) Revenue Administration
- (e) Human Resources Management
- (f) Control over Vehicles
- (g) Debtors' and Creditors' Control
- (h) Contract Administration
- (i) Solid Waste Material Management.