

Matale Municipal Council

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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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The financial statements for the year under review had been presented to audit on 28 April 2017 and the financial statements for the preceding year had been presented on 29 April 2016.

1.2 Qualified Opinion  
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In my opinion, except for the effects 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 Matale Municipal Council as at 31 December 2016 and its financial performance for the year then ended are in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
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1.3.1 Accounting Deficiencies  
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The following accounting deficiencies are observed.

- (a) The stamp fees revenue of the year 2016 and the Capital grants had been overstated respectively by Rs.1,906,850 and Rs. 3,429,255.
- (b) Capital expenses in the year under review had been understated by Rs.3,716,158 .
- (c) A vehicle and two machines amounting Rs. 1,460,430 had not been capitalized
- (d) Loan receivable relates to the year under review, from 134 officers who retired/left duty had been understated by Rs. 945,301.
- (e) The balance of the Urban Development Joint Account had been understated by Rs.1,392,000.

### 1.3.2 Un reconciled Control Accounts

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The balances relating to 4 items of accounts totaling Rs. 213,108,106 as per financial statements and the value appearing in the related subsidiary registers and reports differed by Rs. 10,399,611.

### 1.3.3 Accounts Receivable and Payable

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#### (a) Accounts Receivable

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The balances of 12 items receivable aggregated to Rs.70,122,861. The unsettled balances of over 3 years aggregating Rs. 4,143,208 had been included therein.

#### (b) Accounts Payable

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The balances of 3 accounts payable at the end of the year under review amounted to Rs.144,257,421. The balances of Rs.94,435,014 remaining unsettled over 3 years had been included therein.

### 1.3.4 Lack of Evidence for Audit

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Seven items of accounts aggregating Rs.57,664,115 could not be satisfactorily vouched in audit due to non- rendition of adequate evidence.

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

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The following instances of non-compliances with laws, rules, regulations etc., were observed in audit.

Reference to Laws , Rules,  
Regulations etc.,

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Non –compliance

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Financial Regulations of the  
Democratic Socialist Republic  
of Sri Lanka

(i) F.R. 571

Action had not been taken to settle the expired retentions amounted to Rs. 1,206,522 of 10 works.

(ii) F.R. 751,756,757(2)

Action had not been taken by the Municipal Council to maintain fixed asset registers and to present a report in the suggested format by conducting an annual survey of those assets.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.47,092,890 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.25,024,503 resulting in an improvement in financial results of the year under review by Rs.22,068,387.

### 2.2 Analytical Financial Review

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Increase in revenue by Rs.28,474,792 in 3 items of revenue and decrease in expenditure by Rs.7,207,421 in 2 objects resulted in the improvement in financial results.

### 2.3 Revenue Administration

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#### 2.3.1 Performance in Collection of Revenue

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The trade stalls in the super market complex had been leased by tendering in the year 2009. According to the terms in the lease agreement key money amounting to Rs.4,396,394 had to be recovered as at the end of year 2014. However that amount had not been recovered and on that a monthly fine of 10 percent amounting to Rs. 11,310,092 as at the end of the year under review had not been claimed.

#### 2.3.2 Rates

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The balance of arrears of rates as at 31 December 2016 amounted to Rs.23,718,426.

### 2.3.3 Other Income

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#### (a) Water Charges

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The balance of water charges recoverable at the time of vesting the Water Supply System to the National Water Supply Board by the Sabha in 2001 amounted to Rs.4,802,812. Action had not been taken to recover this balance.

#### (b) Rent income

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The arrears rent balance as at 31 December 2016 amounted to Rs.3,088,591.

### 2.3.4 Court Fines and Stamp Fees

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Court Fines of Rs.205,500 and stamp fees of Rs.38,504,300 were due from the Chief Secretary of the Provincial Council and other Authorities at 31 December of the year under review.

### 2.4 Surcharges

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The surcharge of Rs.96,851 imposed during the previous years in terms of provisions in the Municipal Council's Ordinance(Chapter 252) remained recoverable.

## 3 Operating Review

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### 3.1 Management Inefficiencies

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The following matters are observed

- (a) Action had not been taken to settle the unidentified creditors balance amounting to Rs. 8,699,455 which exist from a long period of time.
- (b) When leasing or lending Sabha lands an approval must be taken according to the section No. 36(i) (iii) and 40(i) (e) of Municipal Council's Ordinance. Accordingly proper action had not been taken regarding the intruded residences in Matale M.C Road 103 land pieces, in Vijaya Avenue 16 land pieces and in 2 acre 14 perch Higgolla Sakshen Park land.

- (c) Diyabubula land of Matale Municipal Council had been vested to the Police in year 2005 to build the new police building. In place of that the police agreed to vest the land of the old police building to the Municipal Council to construct a vehicle park and a market complex. However the said land had not been vested to the Municipal Council even until the end of the year under review.
- (d) The building situated in the 15.8 perch land near by the Gongawela Bus halt had been leased since 1970 to maintain a reading hall and a library. Building had not been assessed once a 5 years and the lease rent had been charged based on year 2003 assessment.
- (e) As at the end of the year under review 59 vacancies exist in 23 approved posts. Action had not been taken to do proper recruitments for those vacancies. Thirty workers who hold health and works labour posts had been assigned with office duties, computer work and other duties apart from their relevant duties.

### 3.2 Idle and Under Utilized Assets

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The following matters are observed.

- (a) The four story super market building had been constructed by spending Rs.119,230,940 with LLDF Loan and Sabha funds. The two upper stores in the building had been kept idle due to not completing with partitions for trade stalls. Loan installments and interest of Rs.11,414,245 had to pay annually for the LLDF Loan, while the annual rent income earn from the building remains Rs.8,049,215 even as at the end of the year under review.
- (b) A bio gas unit with the capacity of 44 cubic meters had been built in 2012 by spending Rs.796,500 which consist of Rs.645,000 received from chicken poulterers in town and Rs.151,500 from Sabha funds. Further another bio gas unit with the capacity of 50 cubic meters had been built on December 2015, under provisions amounting to Rs.3,200,000 of Ministry of Electricity and Energy. These units had been kept idle.

### 3.3 Contract Administration

#### ----- Renovation of the vehicle yard of the Matale Municipal Council -----

With funds amounted to Rs.10,000,000 from Ministry of Local Government and Local Authorities, and with the agreement of spending the rest of the amount from the Sabha funds, decision had been made to execute above project . Council had unable to make the contract complete as per the agreement with the contractor of the project and it had not utilized its money for the project .As a result, only a portion of work amounted to Rs.4,022,722 which represent 29 percent of the agreed amount of Rs.13,706,250 had been completed and work had terminated. Accordingly Council unable to utilize an approved provisions amounted to Rs.5,977,278. The partly completed building had been idle even until 30 June 2017.

### 3.4 Delays in Projects

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Action had not been taken to execute 9 works with Rs.1,324,794 approved allocations of Municipal Council funds of year under review.

### 3.5 Solid waste management

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The following matters are observed.

- (a) Dola road compost yard had been constructed by spending Rs.4,500,000 under the funds of UNESCAP organization. The yard and 43 equipment and accessories belongs to the yard had been idle since March 2015.
- (b) Due to the oppositions of the community of the area regarding the Wariyapolawatta private land where the Municipal Council dumps waste, a Supreme Court case had been filed against it and Central Environmental Authority. Rs.3,336,215 had been bared as lawyer fees.
- (c) As a solution for the problem regarding the present waste dumping land a new land had been purchased in year 2010 by spending Rs.2,000,000. However even until end of the year under review a procedure for dumping waste properly to this land had not commenced .Hence the land had been idle.

#### 4 Accountability and Good Governance

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##### 4.1 Budgetary Control

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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 during the year under review showing that the budget had not been utilized as an effective instrument of management control, and a proper approval had not been taken for the over expenditure of Rs.1,952,308 of 8 expenditure items.

##### 4.2 Internal Audit

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One officer had been assigned to the internal audit section of the Municipal Council. Therefore due to non availability of sufficient staff, auditing had not been carried out as per the internal audit plan.

##### 4.3 Audit and Management Committees

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Only two Audit and Management Committee meetings had been held during the year under review.

#### 5. Systems and Controls

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

- (a) Staff Management.
- (b) Assets Management.
- (c) Debtors' and Creditors' control.
- (d) Budgetary Control.