

Matale Pradeshiya Saba

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 2017 and the financial statements for the preceding year had been presented on 31 March 2016.

1.2 Qualified Opinion

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 Pradeshiya Saba 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

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed in audit.

- (a) The amount spent to construct buildings in the year under review amounting to Rs.4,006,852 had not been capitalized.
- (b) The stamp fees revenue of the year and the stamp fees receivable had been understated by Rs. 11,839,090.

1.3.2 Accounts Receivable

The balances of 10 accounts receivable aggregated to Rs.29,007,666. The balances of Rs. 6,511,426 remaining unsettled for over 1 year had been included therein.

1.3.3 Accounts Payable

The balances of 14 accounts payable at the end of the year under review amounted to Rs.16,085,453. The balances of Rs.8,381,693 remaining unsettled over 1 year had been included therein.

1.3.4 Lack of Evidence for Audit

Four items of accounts aggregating Rs.84,821,311 could not be satisfactorily vouched in audit due to non-rendition of adequate evidence.

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

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

Reference to Laws , Rules,
Regulations etc.,

Non –compliance

(a) 1988 Pradeshiya Sabha
(Finance and Administration)
Rules

An updated Land and Building register had not been maintained according to P.S 46.

(i) Rule 217

Although land and buildings of the Sabha should be subject to survey annually,such survey had not been carried out.

(ii) Rule 218

(b) Financial Regulation No.571
of the Democratic Socialist
Republic of Sri Lanka

Action had not been taken to settle 15 expired deposits amounting to Rs.2,421,989.

(c) Circulars and Other

Segment No iv of the Circular
No 3/2014(i) dated 10 March
2015 of Secretary of the
Treasury and the letter No
3/2/1/23 dated 26 August
2015 Of the Commissioner of
Central Province Local
Government.

Due to payment of telephone allowance of Rs.4,000 without a reimbursement and by including it to Sabha secretary's salary, an overpayment of Rs.36, 000 had been made for the period of 2015 July to 2016 December.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.29,033,610 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.19, 480,164 resulting in an improvement in financial results of the year under review by Rs.9, 553,446.

2.2 Analytical Financial Review

Increase in revenue by Rs.11,710,254 in 4 items of revenue and decrease in expenditure by Rs.2,408,897 in 3 objects resulted in the improvement in financial results.

2.3 Revenue Administration

2.3.1 Rates and Taxes

The balance of arrears of rates and taxes as at 31 December 2016 of the year under review amounted to Rs.641,992. Action had not been taken regarding this balance in terms of 1988 Pradeshiya Sabha (Finance and Administration)Rule 33

2.3.2 Other Income

(a) Acreage Tax

The arrears of acreage tax amounted to Rs.211,895 as at 31 December of the year under review, and only Rs.22,421 of which represent 10 percent of the opening balance of the arrears acreage tax amounting to Rs.227,025 had been recovered.

(b) Water Charges

Out of the aggregate arrears of water charges of Rs.4,812,167 at the end of the year under review Rs.2,779,519 which represent 58 percent remained recoverable for over one year period. This include arrears of water charges of Rs.537,326 of 248 customers who had been provided by Water Board water supply and remained recoverable over 3 years.

2.3.3 Court Fines and Stamp Fees

Court Fines of Rs.925,533 and stamp fees of Rs.16,191,986 remained recoverable as at December 2016 of the year under review.

2.4 Surcharges

A Sum of Rs.1,426,708 remained recoverable as at December 2016 relating to surcharges impost in terms of the provisions of the provisions of the Pradeshiya Sabha Act.

3 Operating Review

3.1 Management Inefficiencies

The following matters are observed

- (a) Action had not been taken to recruit employees for 18 vacancies exist with regard to 11 posts of the Sabha, and 13 excess employees had been employed for 6 posts which there were no vacancies.
- (b) Eight water controllers had been recruited without the approval of the Department of Management Services and a sum of Rs.831,213 had been paid as allowance during January to December of the year under review from Sabha funds.
- (c) Survey plans were not available for land plots acquired by Sabha from land sales, and 5 such land plots subjected to inspection had not been acquired from suitable places for community activities and had not been secured by placing boundary fences. Title deeds were not available for 8 cemetery lands.
- (d) Proper action had not been taken regarding 17 items which holds the value of Rs.295,631 identified by stock verification in year 2015, as items which can be repaired and reuse.
- (e) Although repair expenses amounted to Rs.135,172 and maintenance expenses amounted to Rs.11,555 had been incurred regarding to tractor No.RA- 8210 own by the Sabha within year 2016, that was not in a running condition.
- (f) Backo machine No.RS-1589 had been repaired by incurring expense of Rs.350,830 in 19 times within year 2016 .But it had been inactive from October 2016 due to the informal repairs. Therefore Backo machines had been rented from outside parties by spending Rs.840, 000.

3.2 Operating Inefficiencies

Whether 231 building applications had been approved within the year under review only 2 such applications had been issued with Compliance certificates.

3.3 Idle and Under Utilized Assets

The following matters are observed.

- (a) Whether the Sabha had been provided with 40 computers, 40 chairs, 40 tables and a projector to establish the Missaka Information Technology Center under E-Shilpagara Project of the Ministry of Telecommunications and Information Technology in December 2014, actions had not been taken to commence the center until 31 December 2016.
- (b) Action had not been taken to complete and take in to use the Minor Export Crops center which was partly constructed before 8 years' time on a Sabha owned land.

3.4 Delays in Projects

The following matters are observed.

- (a) Ten construction projects with Rs. 2,915,000 approved allocations under the Strengthening of Pradeshiya Sabha Programme in year 2016 and, 17 construction projects planned to execute within the year 2016 with Rs.8,989,990 approved provisions using Sabha funds had not been fulfilled.
- (b) Whether allocations amounting to Rs. 275,000 had been made to purchase a water pump for Allepola Janasuwaya Water Scheme under Provincial Specific Development Grants, the allocations had been lost due to not fulfilling the project during the year.

3.5 Solid waste management

About 400 Kilograms of compost had been produced using 2 metric tons of garbage collected within the authoritative area of the Sabha daily. About 40 percent of polythene from the garbage collected had been burned using a burner. A license from Central Environmental Authority had not been taken for this burner and the garbage management unit.

4 Good Governance and Accountability

4.1 Budgetary Control

- (a) Variance ranging from 34 to 92 percent existed between the estimated and actual revenue of 5 revenue items and variance ranging from 33 to 86 percent

existed between the net provision and actual expenditure of 8 expenditure items.

- (b) None of the revenue of Rs. 3,230,000 estimated for 5 items of revenue had been earned.
- (c) 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.

5. Systems and Controls

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

- (a) Staff Management.
- (b) Assets Management.
- (c) Vehicle Control.
- (d) Budgetary Control.
- (e) Stores control.