

Madurawala Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 27 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Madurawala Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a) Three water tanks valued at Rs. 27,039 purchased during the year under review and the expenditure incurred amounting to Rs. 252,554 for the intercom system had not been capitalized. Due to that, value of Fixed Assets and Contribution from Revenue to capital Outlay Account had been understated in a sum of Rs. 279,593.
- (b) Although the amount payable for the furniture and office equipment purchased during the year under review was Rs. 247,152, it had been accounted as Rs. 214,915. Due to that, value of Fixed Assets and Contribution from Revenue to capital Outlay Account had been understated in a sum of Rs. 32,237.
- (c) Although a sum of Rs. 1,925,077 had been provided as creditors for the purchase of sport equipment of children's park, out of that only a sum of Rs. 1,262,037 had been capitalized. Due to that, value of Fixed Assets and Contribution from Revenue to capital Outlay Account of the year had been understated in a sum of Rs. 663,040.
- (d) Expenditure incurred amounting to Rs. 3,986,481 for construction of the Narthupana Weekly Fair during the year under review, under Provincial Development Grants had not been capitalized. Due to that, Land and Buildings and Contribution from Revenue to capital Outlay Account of the year had been understated to the extent of that value.
- (e) Expenditure incurred amounting to Rs. 1,919,489 for construction of the Compost yard had been shown under recurrent expenditure. Due to that, capital expenditure of the year had been understated to the extent of that value.
- (f) Expenditure incurred amounting to Rs. 174,124 for the purchase of furniture and equipment during the year under review had been shown under recurrent expenditure. Due to that, capital expenditure of the year had been understated in a sum of Rs. 174,124.

1.3.2 Accounts Receivable and Payable

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- (a) Although a sum of Rs. 221,804 had been shown as a balance payable to Bulathsinhala Pradeshiya Sabha under current liabilities in the financial statements, a sum of Rs 331,130 had been shown as amount payable to Mdurawala Pradeshiya in the financial statements of the Bulathsinhala Pradeshiya Sabha for 2017. However, the Chairman had informed through his letter dated 17 July 2018, that according to distribution of assets between Bulathsinhala and Madurawala during the year 2016, the balance receivable to Madurawala Pradeshiya Sabha was Rs. .3,453,309.
- (b) Although a portion of Bulathsinhala Pradeshiya Sabha had been allocated to Madurawaala Pradeshiya Sabha on 15 April 2006, assets and liabilities belong to the Sabha had not been settled even as at 30 July 2018.

1.3.3 Lack of Written Evidence Required for Audit

Four items of accounts totaling Rs. 83,883,306 could not be satisfactorily verified/vouched in audit due to non-rendition of properly maintained Fixed Assets Register and relevant schedules .

1.3.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	

- (a) Pradeshiya Sabha Act No. 15 of

1987

(i) Section 134 (1)

Action had not been taken to recover rates from properties situated within the area notified as developed areas, on the basis of annual value of

any immovable property.

(ii) Section 160

Properties had not been seized as last resort for the recovery of rates in arrears.

(b) 1988 Pradeshiya Sabha (Financial and Administrative) Rules

Rule 218

All Lands and Buildings belong to the Sabha had not been inspected once in every year.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 104 (3) (4)

Although a double cab vehicle of the Sabha had met with an accident on 31 December 2016, preliminary and final reports had not been submitted having conducted an inquiry.

(d) Public Administration Circular No. 2030/16 dated 29 December 2016
Para graph 3.1

Fuel consumption tests of all vehicles belong to the Sabha had not been carried out

(e) Circular No. 1988/22 dated 17 May 1988 of the Commissioner of Local

Properties subject to rates had not been assessed once in five years

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over Recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs. .2,937,048 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 2,632,480 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue.

Information relating to estimated revenue, revenue billed , revenue collected and arrears of revenue for the year under review and preceding year, as furnished are given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,241,650	1,017,903	835,226	360,549	1,495,960	588,408	439,695	764,547
(ii) License Fees	325,850	1,103,332	956,665	146,666	307,220	664,160	664,160	-
(iii) Other Revenue	10,836,200	10,000,000	-	17,255,583	9,600,200	8,500,000	-	9,273,514

2.2.2 Performance in Revenue Collection

(a) Rate and Taxes

- (i) While rates in arrears as at the beginning of the year under review was Rs. 543,217, out of arrears a sum of Rs. 369,049 or 68 percent had been recovered during the year.
- (ii) While rates revenue billed for the year under review was Rs 539,992 out of that a sum of Rs. 504,452 or 93 percent had been recovered.
- (iii) While the balance of Rates in arrears outstanding to be recovered as at 31 December 2017 amounted to Rs.209,708,out of that, Balances in arrears for more than one year had been Rs.174,168. Action in terms of Section 161 of the Pradeshiya Sabha had not been taken to recover the arrears.

(a) Acreage Tax

While Acreage Tax in arrears as at the beginning of the year under review was Rs. 11,439, annual billing amounted to Rs. 13,998. While sum of Rs. 19,349 had been recovered. balance in arrears at the end of the year had been Rs. 4,212.

(b) Water Tax

While a sum of Rs.163,911 had been billed as Water Tax Revenue for the year under review, out of that, a sum of Rs. 317,245 or 68 had been recovered. Accordingly, arrears at the end of the year amounted to Rs. 146,666.

2.2.3 License Fees

An annual survey should be carried out for the recovery of industrial Tax/Business Tax/Trade Licenses, billing should be made accordingly and taxes should be recovered from the relevant parties. Instead of that, revenue receded only had been treated as annual billings and accounted.

2.2.4 Court Fines and Stamp Fees

(a) Court Fines

While Court Fines in arrears at the beginning of the year under review was Rs. 4,397,583, any amount had not been received out these arrears during the year. While Court Fines amounting to Rs. 500,000 had been billed for the year, Court Fines Receival as at 31 December 2017 was .Rs.4,897,583.

(b) Stamp Fees

While Stamp Fees in arrears at the beginning of the year under review was Rs. 4,875,932 , a sum of Rs..6,082,043 had been added to that balance during the year as under billings relevant to prior years. While a sum of Rs. .8,099,975 had been received out of those arrears during the year, billings relevant to the year une reve was Rs. 9,500,000. Accordingly, Stamp Fees Receivable as at 31 December 2017 was Rs. 12,358,000.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Although by-laws have to be imposed under Section 126 of the Pradeshiya Sabha Act in order to perform 16 main functions, by-laws had been imposed only for 12 functions even up to 31 December 2017.

(b) Action Plan

Two functions to be performed according to the by-laws imposed had not been included in the Annual Action Plan.

(c) Allocation of Provisions

Annual Budget had not been prepared in conformity with the Annual Action Plan.

(d) Solid Wastes Management

While expenditure amounting to Rs.1,533,900, Rs..1,504,053 and Rs. 1,863,094 had been incurred respectively for wastes management during the years 2012, 2016 and 2017, a compost project had not been implemented for digestive wastes. While collection of garbage in the area of authority of the Sabha had been divided to two zones, Garbage Tax had not been recovered from organizations liable to pay Garbage Tax in those two zones.

(e) Sustainable Development Targets.

The Sabha was not aware of implementation of sustainable development targets.

3.2 Management Inefficiencies

- (a) Although the assets and liabilities belong to the Bulathsinhala Pradeshiya Sabha then existed were apportioned between Bulathsinhala and Madurawala Pradeshiya Sabha having incorporated Madurawala Pradeshiya Sabha Since 15 April 2006, those assets and liabilities had not been legally apportioned even up to 05 April 2018. Although Burial Grounds, Lands and Buildings including the present Sabha Land and

Building had been provided, any land and building had not been shown in the opening balance sheet. When preparing accounts for the year under review, lands and buildings belong to the Sabha had not been surveyed and taken to accounts.

(b) Fixing Electricity Equipment

- (i) A Register had not been maintained to record entries relating to bulbs fixed daily for the street lamps by the Electricity Division. Due to that, it was not possible to confirm the number of bulbs fixed, obtained from the stores and the balance available .
- (ii) When handing over the bulbs with or without guarantee, removed from posts to the stores by the electrician, entries had not been made in the register. Due to that, it had not been possible to replace the bulbs of which guarantee period had not elapsed.

3.3 Human Resources Management

(a) Staff Vacancies and Excesses

- (i) A female management assistant in grade I had been appointed to cover the duties of the post of secretary.
- (ii) While there were 04 surplus employees in preliminary level, 09 employees had been recruited as casual substitutes.

(b) Staff Loans

There were loans outstanding over a period ranging from 1 to 7 years due from 6 officers who had vacated service, deceased, and imprisoned totaling to Rs. 99,800. Action in terms of clause 4.4 in chapter xxiv of the Establishment Code had not been taken to recover this money.

3.4 Assets Management

3.4.1 Security of Burial Grounds in the area of authority of the Sabh

While it was revealed that there were 24 identified burial grounds in the area of authority of the Sabha, observations connected with those are given below.

- (a) Survey work had not been done with regard to 13 burial grounds.
- (b) Although requests had been made to Provincial Land Commissioner to vest 06 burial grounds, vesting had not been done even up to 31 May 2018.
- (c) Although complains had been received that, unauthorized cultivation is carrying on, in the public burial ground at 636, Kudayaya, Mabogoda, Tuththiripitiya to the extent of about 2 acres, and that a portion of land in extent of about one acre of the burial ground at 633, verawatta, Delgahakanda had been encroached, any course of action had not been with regard to those matters

3.4.2 Idle and Under-utilized Assets

(a) Diklanda Water Project

Although this water project had been handed over to the Sabha on 10 October 2016 having spent a sum of Rs. 6,604,411 under Puraneguma Projet for water supply to 21 houses, the water in the well constructed had been unsuitable for use due to an unfavorable bacteria condition .Due to that, the expenditure incurred for the project had been fruitless.

(b) Remuna (90 Acres) Water Project

The number of families getting benefits through this water projects were only 52 families, although it was commenced with the objective of providing water supply to 74 families, having incurred expenditure amounting to Rs. .17,800,877. Accordingly, this project had been an underutilized project.

3.5 Vehicles Utilization

Following matters were observed with regard to the accident occurred to a double cab vehicle belong to the Sabha on 31 December 2016.

- (a) Although inquiries had been conducted by 04 inquiry panels with regard to the accident occurred to the vehicle, reasons for the accident or party responsible had not been identified evrn upto 31 July 2018, while reports in terms of Financial Regulation 104 too had not been furnished.
- (b) The accident had taken place when a watcher of the Pradeshiya Sabha was acting as driver of the vehicle, while the vehicle had been repaired on 22 June 2017 based on an estimate for Rs. 1,557,709 submitted by the senior mechanical engineer of the Provincial Roads Development Authority. However, action had not been taken to recover the loss occurred to the Pradeshiya Sabha.

3.6 Procurement

When forwarding quotations for the supply of equipment named, “Play Station” for Ballapitiya Children’s Play ground which had been purchased having paid a sum of Rs 1,060,000, it had been stated that age limit for using those equipment is 04 – 14 years. However, that age limit had been shown as 03 -12 in the guarantee certificate.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances in a range from 95 percent to 140 percent between the budgeted revenue and actual revenue, and variances in a range from 67 percent to 513 percent between the budgeted expenditure actual expenditure were observed. Therefore, the budget had not been made use of as an effective tool of management.

5. Systems and Controls

Deficiencies observed were brought to the notice of the Sabha through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System -----	Deficiency -----
(a) Accounting	<ul style="list-style-type: none"> I. Omissions, under/over statements in Accounts. II. Failure to up-date the registers.
(b) Assets Control	<ul style="list-style-type: none"> I. Inadequate security steps II. Inappropriate utilization of assets III. Idle and under-utilized projects.
(c) Revenue Control	<ul style="list-style-type: none"> I. inadequate action for recovery of revenue in arrears. II. Failure to make tax assessments within the specified time limits.
(d) Purchasing	Failure to make purchases according to the procurement process.
(e) Budgetary Control	<ul style="list-style-type: none"> (i) Material variances between the budget and the actual expenditure (ii) Un-realistic revenue estimates.

