

**Madulla Pradeshiya Sabha
Moneragala District**

1. Financial Statements

1.1 Presentation of Financial Satatements.

While Financial Statements for the year 2018 had been presented to audit on 28 February 2019, the summary report of the Auditor General relating to those financial statements on 24 May 2019 and detailed management report on 30 May 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report the financial statements give a true and fair view of the financial position of the Madulla Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Office Equipment purchased for Rs. 59,000 during the eyar under review had not been capitalized.	Accounts should be prepared correctly.	Those assets were not capitalized due to an oversight. Action will be taken to rectify and capitalize in the ensuing year.
(ii) Three hundred water meters valued at Rs. 770,100 received as donations on 28 December 2015 had been debited to the General Stores account and had been credited to the Contribution from Revenue to Capital Outlay Account. Value of 83 meters out of those amounting to Rs. 213,061 fixed up to 31 December of the year under review had been debited to the Contribution from	Accounts should be prepared correctly.	Action will be taken to capitalize relevant stock and rectify accounts in the ensuing year.

Revenue to Capital Outlay
Account and credited the
General Stores Account.

(b) Lack of Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Non-submission of stock verification reports relevant to an item of asset amounting to Rs.1,099,174.	Evidence to confirm account balances should be submitted.	Value will be assessed through a board of survey and will be submitted in due course.

1.4 Non-compliances

Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations -----	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
Public Administration Circular No. 30/2016 dated 29 December 2016.	Fuel consumption test had not been carried out with regard to 4 vehicles belong to the Sabha.	Circular provisions should be complied with.	Action will be taken to carryout fuel consumption test for 4 vehicles soon.

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 2018 amounted to Rs. 1,312,403 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,883,402.

2.2 Revenue Administration

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

Information relating to Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year, as furnished are shown below.

Source of Revenue	<u>2018</u>				<u>2017</u>				
	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	-	-	-	-	1,500	-	-	-	-
(ii) Rent	7,479,115	5,981,548	5,953,208	407,140	5,332,260	5,320,664	5,320,664	378,800	
(iii) License Fees	566,700	901,895	901,895	-	517,500	761,734	761,734	-	
(iv) Other Revenue	12,603,105	7,579,334	397,652	2,264,799	34,650,350	6,465,324	4,990,055	1,692,597	
Total	20,648,920	14,462,777	7,252,755	2,671,939	40,500,110	12,547,722	11,072,453	2,071,397	

2.2.2 Performance in Revenue Collection

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Out of total revenue billed amounting to Rs.14,462,777 during the year under review, a sum of Rs. 2,671,939 or 18 percent had not been recovered as at the end of the year.	Arrears of revenue should be recovered.	Action will be taken to recover the further arrears sum of Rs. 769,061 by 30 April 2019.

2.2.3 Recovery of Business Tax

Audit Observation	Recommendation	Comments of the Accounting Officer
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Fine of Rs 49,914 payable for failure in payment of lease money on the specified date relevant to the year under review by the lessee of the Makulla Weekly Fair had not been recovered.	Fines due should be recovered.	Lessee was informed and he under took to pay the fine of Rs.49,914 within ensuing months and finalize the matter.

2.2.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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Court Fines amounting to Rs. 302,497 and Stamp Fees amounting to Rs. 1,446,502 outstanding as at 31 December of the year under review had not been recovered.	Arrears of Court Fines and Stamp Fees should be recovered.	A sum of Rs. 208,872 out of Court Fines and a sum of Rs. 1,029,498 out of Stamp Fees have been recovered as at 31 March 2019

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) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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An Action Plan had not been prepared for the year under review.	An Action Plan should be prepared for the year 2019.	Up to now, the annual activities were performed by the Madulla Pradeshiya Sabah according to the budget and the

Five year District Development Corporative Program 2016 - 2020 of the European Union. According to those documents, objectives to be reached by now and activities to be implemented have been fulfilled. An Annual Plan will be prepared for the year 2019.

(b) Abandoned Activities.

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to perform 38 works estimated at Rs.39,350,000 and specifically identified through the budget for the year under review.	All projects for which provisions have been made through the annual budget should be implemented within the year.	Although a sum of Rs.40,010,000 was estimated for capital expenditure through the budget, a provision of Rs. 660,000 only could be obtained. Accordingly, selected works to meet that amount were performed.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) While the balance of the account opened in the Bank of Ceylon named Madulla Pradeshiya Sabha Operational and Maintenance Committee as at 31 December of the year under review amounted to Rs.2,713,794, the money in this account had not been used to fulfill the relevant objectives from the inception.	Utilization of funds for the relevant projects or taking action in terms of the agreements should be done.	In the event of not taking place the maintenance works of roads within the maintenance period, as per agreements of the projects, those funds could be allocated for other public development works through Sabha decisions. Accordingly, Sabha approval has been obtained to construct 300 meters of a road done by the Economic Development or Thalawa Road. Construction work has been commenced by now.
(b) Although 450 roads in the area of authority has been identified, a roads inventory had not been prepared and had not been published through the gazette.	Action should be taken in terms of provisions in section 24 of the Pradeshiya Sabha Act No. 15 of 1987.	All necessary actions have been taken and finalized to gazette roads by now. It would be possible to gazette the roads within a period of about one month.

- (c) Work Creditors balance of Rs.584,822 brought forward from the year 2014 had not been settled even during the year under review. Action should be taken to settle balances payable. While 9 works not settled even during the year under review, are there up to now, retention money of these works had not been paid up to now. Action will be taken during the year 2019 to credit to revenue.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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There was a surplus of three employees relevant to 02 posts exceeding the approved cadre and 08 vacant posts relevant to 04 posts.	Action should be taken to get approval for surplus posts and to fill the vacant posts in the staff.	Action will be taken to get the approval for surplus cadre in due course. Requests were made to the Commissioner of Local Government to get a technical officer. Deities of the posts of Librarian and Revenue Inspector are performed by other officers. Requests were made to get a driver.

3.4 Assets Management

3.4.1 Idle/Underutilized Assets.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Cultural Centre Building in the Isnd belongs to the Sabha where public play ground is situated remained idle since the year 2013.	Idle assets should be made use of.	Sabha has no stores at present and therefore stocks of goods are stored therein for future use. Action will be taken to use it properly and permanently in due course.
76 Waste Bins with a capacity 26 liters, valued at Rs. 20,976 had been kept in the stores without being used.	Idle assets should be made use of.	While the price of a waste bin amounts to Rs. 276, it is of a high value when compared with the market price. Therefore, people refuse to purchase those and have become difficult to market.

3.4.2 Vehicles Utilization

Audit Observation	Recommendation	Comments of the Accounting Officer
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Legal ownership of 06 vehicles used by the Sabha had not been vested in the Sabha.	Ownership of vehicles belong to the Sabha should be vested.	Action will be taken to vest the ownership of vehicles not vested in the Sabha.
Revenue Licenses had not been obtained for two vehicles belong to the Sabha.	Revenue Licenses should be obtained for vehicles.	Action will be taken to obtain revenue licenses in due course.

3.5 Procurements

Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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A Procurement Plan had not been prepared for the year under review by the Sabha.	Procurement Plan should be prepared according to the annual budget.	A Procurement Plan has been prepared for the year 2019.

4. Accountability and Good Governance.

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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When estimated revenue and expenditure through the budget for the year under review are compared with the actual revenue and expenditure, variations from 11 percent to 185 percent in 05 revenue	A realistic budget should be prepared and goals shown therein should be fulfilled.	Action will be taken in the ensuing year to minimize variations through collection of budgeted revenue and incurring the estimated expenditure.

items and variations from 11 percent to 24 percent in 03 items of expenditure were observed.

4.2 Internal Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

An internal audit had not been carried out in the Sabha during the year under review.

An internal audit should be carried out.

Action will be taken in due course to carry out an internal audit by engaging the officer entrusted with the subject of audit or by appointing another officer as an internal auditor.

4.3 Audit and Management Committee

Audit Observation

Recommendation

Comments of the Accounting Officer

An Audit and Management Committee had not been established as per internal audit guidelines in Circular No. DMA/2009(01) dated 9 June 2009 of the Management Audit Department.

An Audit and Management Committee should be established.

Action will be taken in due course to hold audit and Management Committee meetings.