

**Madurawala Pradeshiya Sabha**

-----  
**Kalutara District**  
-----

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 25 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 May 2019 and 30 September 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Madurawala 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 the Qualified Opinion**

**(a) Accounting Deficiencies**

Audit Observations	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(i) The compost yard had been built at the cost of Rs.1,919,489 in 2017 had not been capitalized.	Should be accounted correctly.	Action is being taken to correct.
(ii) Hume pipe stock balance as at the end of the year had been under stated by Rs.45,720 and the expenditure had been over stated by 45,720.	Should be accounted correctly.	Action is being taken to correct.
(iii) When accounting the renovation cost for the project of compost yard, industrial creditors had been overstated by Rs.207,272 and accumulated fund had been under stated by Rs.207,272 .	Should be accounted correctly.	Action is being taken to correct.

- (iv) The receivable balance of Rs.2,853,309 from Bulathsinhala Pradeshiya Sabha as at 31 December 2018 had not been stated in the financial statements and a sum of Rs.221,804 had been stated as a payable amount to Bulathsinhala Pradeshiya Sabha. Should be accounted correctly. Balances of receivable and payable from Bulathsinhala Pradeshiya Sabha will be amended by the approval form the Assistant Commissioner of Local Authority.
- (v) Capital expenditure and creditors amount of the industry of waste water system in compost yard had been overstated by Rs.170,036 . Should be accounted correctly. Correction will be taken by future account.

**(b) Unreconciled Accounts**

----- <b>Audit Observations</b> -----	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b> -----
(i) A difference of Rs.11,808,538 between the balances of 05 items of accounts in Financial Statements of Rs.54,838,609 and its balances shown in the subsidiary registers.	Differences of related Balances should be reconciled and corrected.	Correction will be taken in future.
(ii) According to the Financial Statements Land and Buildings had been Rs.157,966,405, Eventhough it had not been able to reconcile the balances in the account and the schedule due to amount had not been stated in relavant schedule.	Lands and buildings should be revalued and included in fixed asset register.	Fixed asset register will be updated by revaluimg.

(c) **Lack of Necessary Documentary to Evidence for Audit**

Audit Observations -----	Recommendation -----	Comments of the Accounting Officer -----
Five Items of accounts aggregating value of Rs. 159,536,122 could not be satisfactorily vouched in audit due to absence of updated fixed assets registers and survey reports.	Evidence to confirm the balances shown in the financial statements should be furnished.	Evidence will be furnished in future accounts.

1.4 **Non Compliances****Non-compliance with Laws, Rules, Regulations and Management Decisions**

Reference to Laws, Rules, Regulations and Management Decisions -----	Amount ----- Rs.	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Pradeshiya Sabha Act No. 15 of 1987 (i) Section 134(1)	-	New identification had not been taken to recover rates from immovable properties situated with in the area as developed areas by Pradeshiya Sabha.	Action should be taken according to the Pradeshiya Sabha Act.	Action will be taken according to the Act in future.
(ii) Section 154(1)	549,695	Equal of one per cent Tax from two lands sold by plotted had not been recovered.	Action should be taken according to the Pradeshiya Sabha Act.	Action will be taken according to the Act in future.
(iii) Section 160	313,574	Properties had not been seized as last resort for the recovery rates in arrears.	Action should be taken according to the Pradeshiya Sabha Act.	Action will be taken according to the Act in future.

(b)	1988 Pradeshiya Sabha(Finance And Administration) Rule 218	157,966,405	All lands & buildings belong to the sabha had not been inspected ones in every year.	Action should be taken according to Rules.	Action is being taken according to Rules.
(c)	Section 3.9.1 of National procurement Guild Line	604,471	Contracts had been awarded for community based organizations under direct contract method without examine qualifications.	Action should be taken according to the circular.	Future action will be taken according to Procurement Guideline.
(d)	No.1988/22 of the Circular of Commissioner of Local Authority on 17 May 1988		Properties subject to rates had not been assessed ones in 5 years.	Action should be taken according to the circular.	Action is being taken according to circular.
(e)	Gazette Notification No.2052 of the Democratic Socialist Republic of Sri Lanka on 29 December 2017	77,250	Receivable charges from 30 advertisement boards had not been recovered.	Action should be taken according to circular.	Charges will be correctly recovered in future.

## 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 2018 had been Rs .4,262,899 as compared with the excess of revenue over recurrent expenditure of the preceding year amounted to 2,937,048.

## 2.2 Revenue Administration

### Revenue Administration

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

Information relating to estimated revenue billed revenue collected revenue for the year under review & proceeding year as furnished are given below.

Source of Revenue	2018				2017			
	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	1,322,992	1,408,443	1,084,556	524,229	1,585,450	1,411,620	1,285,106	213,883
(ii) Rent	333,500	245,450	356,741	-	325,550	-	313,940	-
(iii) Other Revenue	14,635,930	10,500,000	9,163,990	22,852,583	13,627,600	10,500,000	11,928,359	17,255,583

#### 2.2.2 Performance of Revenue Collection

##### (a) Rates and Taxes

Audit Observations	Recommendation	Comments of the Accounting Officer
The rates in arrears at the end of the year under review had been Rs. 369,666 out of that Rs. 103,280 or 28 per cent had been recovered as at 30 April 2019. Out of the arrears rate in Head Office Rs.91,713 was outstanding from more than 3 years.	Arrears rates should be recovered.	Action will be taken to recover arrears rates.

**(b) Court Fines****Audit Observations****Recommendation****Comments of the Accounting Officer****(i) Court Fines**

The Court Fines in arrears at the beginning of the year under review had been Rs.4,897,583, out of that arrears balance only Rs 3,000 had been received during the year. The billing amount had been Rs.500,000 for the year under review and the receivable Court Fines as at 31 December 2018 was Rs.5,394,583.

Arrears revenue should be recovered.

Rs.818,988 had been recovered out of the arrears of Rs.5,394,533 as at 08 February 2019

**(ii) Stamp Fees**

The Stamp Fees in arrears at the beginning of the year under review had been Rs. 12,358,000 any amount had not been received from the arrears during the year. The billing relevant to the year was Rs. 10,000,000, out of that only advance of Rs.4,900,000 had been received during the year.

Arrears revenue should be recovered.

The schedules had been sent to the provincial Revenue Department for obtaining the arrears of Rs.249,406. Schedules are being preparing to recover the balance.

**3 Operating Review****3.1 Performance****Audit Observations****Recommendation****Comments of the Accounting Officer****(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 2018.

Action should be taken according to the Act.

Clarification had been done about the imposed by-laws.

(b) Action Plan  
-----

- |       |   |  |                            |
|-------|---|--|----------------------------|
| (i)   | It had not a method to measure the progress of the activities including the Action Plan had been prepared in 2018.                    | Action should be taken according to the circular.  | Will correcting in future. |
| (ii)  | An Imprest Plan relevant to recurrent and capital expenditure provided by the annual budget of Rs.99.8 million had not been prepared. | Action should be taken according to the circular.  | Will correcting in future. |
| (iii) | The 15 projects cost of Rs.4,765,000 included in the Action Plan had not been implemented.  | Action should be taken according to the circular.. | Will correcting in future. |

(c) Targets of Sustainable Development  
-----

Although Sabha had awared of the Agenda on the targets of Sustainable Development 2030, it had not been delegated responsibility and preparing long term plan up to 31 December 2018 for improving the quality of the life and the health of the public by the targets of Sustainable Development and New Global Indices.	Should be prepared long term plan and delegated responsibilities specifically, to perform of sustainable development targets.	Sustainable Development plan had been prepared after becoming aware of the Agenda on the targets of Sustainable Development 2030.
---	---	---

3.2 Management Inefficiencies  
-----

Audit Observations -----	Recommendation -----	Comments of the Accounting Officer -----
Dehiwala, Mount Lavinia mechanical engineer's valuation of the damage caused in 2016 to the cab of Sabha of Rs.1,134,037 had not been recovered from the responsibilities.	Financial loss should be recovered.	Instruction had been requested from the Commissioner of Local Authority to get further action for identifying responsibilities.

### 3.3 Human Resource Management

Audit Observations	Recommendation	Comments of the Accounting Officer
<b>(a) Employee Vacancies and Excess</b>		
(i) Grade 1 Management Assistant had been appointed from June 2017 to cover the duties for the post of Secretary.	Management Service super grade officer should be recruited for the Secretary post.	Vacancies were shown in quarterly report of cadre information.
(ii) There were vacancies in 01 post of Librarian, 02 posts of Revenue Inspector one post of Health Overseer and Driver, 04 Office Support Assistant, 02 Securities, 01 post of Library Assistant, 02 posts of Pre-school Teachers and 02 of Field Labourer in Sabha.	Vacancies should be filled.	Action will be taken to recruited in future.
<b>(b) Staff Loan</b>		
Loan balance of Rs. 85,750 had not been recovered from many years from 3 retired and transfer officers.	Arrears loan balance should be recovered.	Action will be taken to recover.

### 3.4 Contract Administration

Audit Observations	Recommendation	Comments of the Accounting Officer
02 out of Rs.3,104,471 of 04 industries constructed in the year under review had not been taken approval by preparing drawings. 2 industries had been prepared drawings but had not been taken approval.	Should be taken approval by preparing drawings before making project estimates.	Will ensure that there are no such short coming in the future.



#### 4. **Accountability and Good Governance**

-----

##### 4.1 **Internal Audit**

-----

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
-----	-----	-----
An internal audit programme for 2018 had been prepared, internal audit had not been carried out as such.	Internal audit programme should be carried out for according to internal audit programme.	Action will be corrected in future.

##### 4.2 **Audit Observations not Resolved**

-----

<b>Audit Observations</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
-----	-----	-----
Orders had been given by the Provincial Public Accounts Committee held on 26 July 2018 with regard to paragraphs of 2.3 of 2011, 2.5(c)(i)and(ii), 2.6 of 2012 and 1.1.2 of 2013 of the Auditor General's reports had not been implemented up to 31 March 2019.	Orders of the Accounts Committee should be implemented.	Action will be taken to forward a report relevant to the orders of Provincial Public Accounts Committee.