

Matugama 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 29 March 2019 and the summary report of the Auditor General had been forwarded on 31 May 2019 and the detailed management audit report had been forwarded on 27 September 2019 to the Chairman.

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 Matugama 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 Observations	Recommendations	Comments of the Accounting Officer
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(i) Provision for creditors had not been made amounting to Rs.6,913,110 payable to the Director of Pension as at the end of year under review.	Should be accurately accounted.	Credit provisions will be made in future.
(ii) Fixed assets valued at Rs.1,481,265 purchased in 2018 had not been capitalized.	Assets should be capitalized.	Will be corrected in future.
(iii) Two three wheelers amounting to Rs.1,500,000 expected to purchase in the year 2019 had been stated in financial statements	Should be deleted from the accounts.	Since the applications were sent to the General Treasury in 2018, and provision was made for creditors and these errors will not be done in future.
(iv) A sum of Rs.49,310 was being paid for a project during the year under	Should be deleted from the creditors since the	The cash had been received for this project

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| review had been accounted as work creditors. | payment was made in 2018. | and banked on 15 December 2018, creditors were being paid on 10 January 2019. |
| (v) The water tank build at the cost of Rs.979,708 in 2017 had not been capitalized. | Assets should be capitalized. | Will be corrected in 2019. |
| (vi) General deposit balance of Rs.526,351 was released in the year 2019 had not been stated as payable deposit during the year under review. | Should be accurately accounted. | Will be corrected in 2019. |
| (vii) Instead of taking physical stock into accounts as stock value, the book balance of Rs. 2,261,850 had been accounted for. | Should be accurately accounted. | Will be corrected in 2019. |
| (viii) The expenses of Rs.217,891 relevant to the year 2018 was paid in 2019 had been omitted from the financial statements of the year under review. | Should be accurately accounted. | Action will be taken to correct in 2019. |
| (ix) The cost of fixed assets were disposed as per verification report until the year under review had not been deleted from the financial statements. | Action should be taken to delete from financial statements. | Action will be taken to correct in 2019. |
| (x) Inventory items amounting to Rs.1,567,445 had not been stated in the financial accounts. | Should be adjusted in the financial statements. | Answer not furnished. |

(b) Lack of Necessary Documentary Evidence for Audit

Audit Observations

Recommendations

Comments of the Accounting Officer

Two items of accounts amounting to Rs.333,151,550 and Rs.443,656 respectively could not be satisfactorily vouched in audit due to lack of updated fixed assets registers and stock registers.

Evidence to confirm the balances of accounts in the financial statements should be furnished.

Valuation Department had been furnished for a new assessment and after receiving new assessment fixed assets registers will be updated and stock registers will be presented to financial audit on 2019.

(d) Receivable Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
There was a balance of street lamp grant of Rs.358,225 and private bus stand fees balance of Rs.96,000 outstanding to recover from 2010.	The receivable balance to be outstanding in long period should be recovered.	As the inability to recover the grant of street lamp, it was sent to the Commissioner of Local Authority to obtain the approval for writing off and legal and other actions are being taken to confirm the ownership of the bus stand for recovering the private bus stand fees.

1.4 Non compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Amount	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 within the area declared as develop areas by the Pradeshiya Sabha.	New identifications should be taken according to the Act.	As a long process should be followed, action will be taken according such.

(ii) Section 154(i)		One percent tax had not been recovered from eight lands that sold by plotting.	One percent tax from selling price of the land should be recovered.	Tax can not be recovered as the lands did not sell at a public auction and ownership is belonging to an individual.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulation 371 (c)	326,760	Advances given for particular work had not been settled.	Advances should be settled immediately after completion of relevant work.	All advances before the year 2018 had been settled and it was accepted the delays has taken place for advances paid in 2018.
(ii) Financial Regulation 571	1,736,704	Action had not been taken with regard to the time lapsed deposits.	Action should be taken according to the Financial Regulation with regard to the time lapsed deposits.	Action will be taken to bring to the revenue in future.
(c) Public Administration Circular No.30/2016 of 29 December 2016 Section 3.1		Fuel consumption tests of seven vehicles belongs to Sabha had not been carried out.	Fuel consumption should be tested of all vehicles belongs to Sabha.	Fuel consumption will be tested according to circular.
(d) Section 2 of Commissioner of Local Government Circular No.LG/05/2004 dated 09 July 2004.		Insurance guarantee had not been received from an officer who should get a guarantee.	Actions should be taken to recover a sufficient deposits or taken insured guarantee.	Deposit guarantee were not paid in 2018 and it will be updated in 2019.

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 amounted to Rs.34,020,020 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.17,752,763.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear 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.
Rates and Taxes	14,776,500	14,554,045	12,180,632	2,373,413	15,123,000	14,281,441	12,572,291	1,709,150
Rent	8,944,800	10,076,431	9,520,911	552,520	5,785,300	8,537,997	8,202,507	335,490
License Fees	332,000	468,628	468,628	-	400,000	329,500	372,250	20,250

2.2.2 Rates and Taxes

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	A sum of Rs.4,461,546 was in arrears of rates as at the end the year under review.	Arrears rates revenue should be recovered.	It is mention that action is being taken to collect arrears revenue.
(ii)	Out of arrears rates, there were arrears over 5 years of Rs.483,361, between 03 to 05 years of Rs.93,306, between 01 to 03 years of Rs.869,217 and arrears less than one year of Rs.2,249,851.	Arrears rates revenue should be recovered.	Action will be taken to collect arrears revenue.

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
Trade stall rent in arrears was Rs.189,525 as at 31 May 2019.	Arrears revenue should be recovered soon.	Action will be taken to collect arrears revenue.

2.2.3 Business Tax

Audit Observation	Recommendation	Comments of the Accounting Officer
Business Tax in arrears at the beginning of the year under review were Rs.106,720, out of that a sum of Rs.55,120 or 52 per cent only had been recovered during the year.	Arrears revenue should be recovered soon.	Action will be taken to recover the arrears revenue.

2.2.5 Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
At the end of the year receivable stamp fees was Rs. 41,010,456.	Arrears revenue should be recovered.	Schedules relevant to the year 2018 is being preparing.

3. Operating Review

3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) By-Laws Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act for fulfillment of 16 main functions, by laws had been imposed only for three main functions even as at 31 December 2018.	By-laws should be imposed for the functions that were not being imposed.	By-laws are embraced for eight functions that can implement in Sabha area.

(b) Action Plan

According to the Action Plan there were 09 projects were not being implemented.

Action should be taken according to the Action Plan.

Action will be taken in accurate according to the Action Plan.

(c) Solid Waste Management

Solid waste management expense incurred in 2018 amounting to Rs.8,824,847 or 60 percent. Sabha had not been get attention to prepare a sustainable programme to recover the annual increasing cost of garbage.

Should be get suitable action to minimize the cost.

Action will be taken to minimize the cost by charging garbage tax.

(d) Sustainable Development Targets

Although a sustainable development plan had been prepared and also an officer had been occupied for implementing from the year 2019, due to non-sufficient awareness about this, it had been occurred a problem situation for implementing above plan.

Sustainable development plan should be implemented soon.

Will be implemented from the year 2019.

3.2 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) While there were 12 vacancies in 10 posts and 6 of subsidiary basis, 16 of temporally basis and 42 officers relevant to 6 posts according to the 20/2014 of Public Administration Circular

Excess posts in the cadre should be legalized and the vacancies should be filled.

Request was made to include in the actual cadre.

had been recruited in addition to actual cadre. Action had not been made to include those officers in the actual cadre up to 31 May 2019.

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| (b) | Although there were 23 vehicles belong to the Sabha, there were only 9 permanent drivers. | Should be filled the driver vacancies. | Letters were sent to the Department of Local Authority to sought approval to recruit drivers in project basis. |
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3.3 **Assets Management**

Audit Observation	Recommendation	Comments of the Accounting Officer
Ownership of 23 burial grounds had not been vested even up to 31 May 2019.	Ownership of 23 burial grounds should be vested to Sabha.	Letters were sent to the Divisional Secretary requesting to vest to the Sabha.

4. **Observations not Resolved and Audit Queries not Replied**

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Orders had been given by the Provincial Public Accounting Committee held on 27 of September 2018 with regard to paragraphs 2.5(d), 2.6 (b) of the Auditor General’s report in 2011 and 2.2 (d) of the Auditor General’s report in 2012 had not been implemented even up to 31 May 2019.	Accounting Committee order should be implemented.	Requested to extend the period by the letter dated 22 February 2019 and 02 months of period had been granted by the Accounting Committee.

(b) Paragraph 2.2.1(i) and (j) of Accounting While preparing the financial
the Auditor General's report deficiencies in statements in 2018 it had been
in 2017 had not been previous years omitted, will be correct in
corrected. should be corrected. 2019.