

Matale Pradeshiya Sabha

Matale District

1 Financial Statements

1.1 Presentation of the Financial Statements

The financial statements for the year 2019 were submitted for audit on 30 April 2020 and the Auditor General's summary report and detailed management audit report on those financial statements were sent to the Chairman on 31 May 2020.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the financial position of the Matale Pradeshiya Sabha as at 31 December 2019 and financial activities of its operations for the year then ended.

1.3 The Basis for a Qualified Opinion

1.3.1 Accounting Deficiencies

	Audit observation	Recommendation	Accounting Officer's Commentary
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(a)	The cost of Rs. 518,419 which has spent upgrading the Puwakpitiya Water Supply Scheme had not been taken into accounts.	Account balances should to be corrected.	The actions will be taken to correct when preparing the accounts in 2020.
(b)	The amount of Rs.952, 866 due for a project had been accounted as Rs.1, 191,082 under the debtors.	Account balances should to be corrected.	The actions will be taken to correct when preparing the accounts in 2020.
(c)	The cost of repairing the public well was Rs.359, 630 had been stated as Rs.350, 000 in the account.	Account balances should to be corrected.	The actions will be taken to correct when preparing the accounts in 2020.
(d)	Repair expenses Rs.689, 332 had not been taken to accounts.	Account balances should to be corrected.	The actions will be taken to correct when preparing the accounts in 2020.

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| (e) | A land worth Rs.100, 000 had been accounted for twice. | Account balances should to be corrected. | The actions will be taken to correct when preparing the accounts in 2020. |
| (f) | The value of the guardroom which was constructed at a cost of Rs. 178,000 in the year under review was stated as Rs. 147,000 under furniture and fixtures and also under the buildings as Rs.147, 000. | Account balances should to be corrected. | The actions will be taken to correct when preparing the accounts in 2020. |

1.3.2 Accounts Receivable and Payable

----- Audit Observation -----	Recommendation -----	Accounting Officer's Commentary -----
<p>(a)Accounts Receivable -----</p>		
<p>While there was a balance of Rs. 3,710,394 due for more than 1 year and less than 5 and a balance of Rs. 1,404,959 which was not recovered more than 05 years and an amount of Rs.57,529,675 had to be received as at 02 June 2020 further.</p>	<p>Actions should be taken to recovered the receivable balances.</p>	<p>Action will be taken to recover the balance</p>
<p>(b) Accounts Payable -----</p>		
<p>Balance over 1 year and under 5 years was Rs. 5,768,318 and Rs. 2,493,166 remained unpaid for more than 5 years.</p>	<p>Actions should be taken to settlement the payable balances.</p>	<p>It will make arrangements to settle the payable accounts promptly.</p>

1.3.3 Lack of Written Evidence Required for the Audit

Audit Observation	Recommendation	Accounting Officer's Commentary
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Required written evidence in 04 account subjects amounting to Rs. 9,385,805 had not been submitted for audit.	Action should be taken to prepare correct schedules and verify balances to prove ownership.	I will take actions to establish the legal right, prepare the correct schedules and submit confirmation letters..

1.4 Non-Compliance

Non-compliance with laws,rules, regulations and management decisions

References To laws, rules regulations and management decisions	Value	Non-compliance	Recommendation	Accounting Officer's Commentary
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financial Regulations of the Democratic Socialist Republic of Sri Lanka FR 571 (3)	- Rs. 595,799	Action had not been taken to settle retention and mixed deposits in the industries relevant to the period 2012 to 2019.	Expired deposits need to be settled.	I will act in accordance with the financial regulations.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2019 amounted to Rs. 34,664,748 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.43 ,712,130.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, collected Revenue and arrears Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are as follows.

Source of revenue	2019				2018			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 st	Estimated Revenue	billed revenue	Income collected	Total arrears as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	1,349,000	1,237,854	817,284	548,453	5,276,200	1,247,088	3,353,109	584,442
Taxes								
Rent	2,075,000	400,800	583,910	29,285	1,405,000	390,020	551,325	26,095
License fee	2,250,000	-	1,666,575	-	1,400,000	-	1,406,392	-
Other Income	66,855,000	41,339,074	18,970,164	26,170,544	22,026,000	7,372,742	17,277,605	3,709,745
Total	72,529,000	42,977,728	22,037,933	26,748,282	30,107,200	9,009,850	22,588,431	4,320,282

2.2.2 Rates and Taxes

Audit observation

Taxes were being levied on the assessment for the year 2012 without any assessment according to the Local Government Department Circular No. 1988/22 dated 17th May 1988 and Circular No. 2016/03 dated 17th March 2016 of the Commissioner of Local Government of the Central Province.

Recommendation

It should be obtain assessment reports and levy taxes

Accounting Officer's Commentary

No comments.

2.2.3 Water Charges

Audit observation	Recommendation	Accounting Officer's Commentary
(a) Arrears Water charges of Rs. 1,210,959 had not been recovered.	Action should be taken to recover the arrears.	I will take action to write off the uncollectible arrears under formal approval and recover the remaining arrears.
(b) The water was distributed without testing water samples from a reputable institution to see if the water in 12 water schemes was fit for drinking	Action should be taken to release quality and clean drinking water.	I will take action to obtain reports on the water quality of water supply schemes.

2. 2.4 Surcharges

Audit observation	Recommendation	Accounting Officer's Commentary
There was a surcharge of Rs. 1,660,825 to be received which had imposed by me against those responsible in the year under review and the previous years as per the provisions of the Pradeshiya Sabha Act.	Action should be taken to recover surcharges.	It had informed as Surcharges are to be credited to the Council Fund.

3 Operational review

3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 3 of the pradeshiya sabha act.

(a) By-Laws

Audit observation

Recommendation

Accounting Officer's

Commentary

No action had been taken to enact two by-laws which were identified to be enacted in the conduct of the affairs of the Pradeshiya Sabha.

Action should be taken to enact by-laws.

I will take actions to draft by-laws very soon.

(b) Abandoned Tasks

Audit observation

Recommendation

Accounting Officer's

Commentary

Fifty-two projects whose estimated value were not identified during the year under review had not been implemented during the year.

It should be specifically identified and planned projects should be implemented.

I will take actions to minimize such shortcomings in the future as the planned industries have not been able to perform.

(c) Failure to Obtain the Expected Output Level

Audit observation

Recommendation

Accounting Officer's

Commentary

The computer software that had been active on assessment taxes since 2018 and the active computer software on water revenue purchased in 2012 were not in working condition.

Should be activated.

The efficiency and effectiveness of the services of this Sabha could not be enhanced due to the lack of action at the Ministry and Department level to make purchases for the development and implementation of computer software.

(d) Sustainable Development Goals

Audit observation

Recommendation

Accounting Officer's

Commentary

Although a sum of Rs. 1,800,000 had been allocated for achieve the Sustainable Development Goals as per the circular no. NP/SP/SDG/17 dated on 14 August 2017 of the National Policies and Economic Affairs, it had not been made a proper plan.

Circular instructions should be followed.

I will take actions towards achieving the Sustainable Development Goals in the relevant year according to a more successful program in the future.

3.2 Management inefficiencies

Audit observation

Recommendation

Accounting Officer's
Commentary

(a) Out of the 980 applications received for approving building plans during the last 03 years, 800 had been approved but only 76 applications had been issued for Certificates of Conformity.

Issuance of Certificate of Conformity and follow up.

It had informed as receiving the certificates of conformity. Actions are taking relating the applications which had not received the approval.

(b) An amount of Rs. 55,362,765 had been invested in fixed deposits without utilizing the recurring income of the Sabha for regional development.

Recurring income should be used for regional development.

These investments have been made as the Sabha has identified the investment interest to be used for development activities on behalf of the people of the area and to implement several new economic strategies for the future.

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| (c) While the approval was given in March 2018 for the subdivision of the Loknagarwatta land and action had not been taken to acquire 4 plots of land of size 65.2 perches allotted to the Sabha for public works. | Action should be taken to take over the ownership of the lands. | Further steps are being taken to acquire the land and obtain deeds. |
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3.3 Human Resource Management

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Any action had been taken against an officer who had not reported for duty for 43 days in the year 2019 and from 13th to 17th February 2020 without informing.	Must act in accordance with the Establishments Code.	43 days will be considered as unpaid leave and will be charged from the monthly salary. If such activities occur in the future, I will act in accordance with the provisions of the Establishments Code.
(b) There were 32 vacancies in 12 staff posts and 12 redundancies in 6 posts.	Vacancies should be filled and action should be taken to get the requirements of the posts approved.	The Department of Local Government and the Public Service Commission have been informed. Excess has arisen due to recruitment as per requirement.

3.4 Operational inefficiencies

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
Action had not been taken to recover Rs. 185,130 from the 1 percent tax on the Kiragalpotta Beradewale estate land sold in shares.	Action should be taken to recover the tax money.	I will take action to recover the arrears through judicial proceedings.

3.5 Assets Management

3.5.1 Idle Assets

Audit observation

A motorcycle worth Rs. 30,000 had been out of service for more than six years.

Recommendation

Action should be taken to dispose of it properly.

Accounting Officer's
Commentary

I will get a new valuation report and put it up for auction.

3.5.2 Vehicle Utilization

Audit observation

while it had not complied with Financial Regulations 104 (3) and 104 (4) regarding a fire of A tractor worth Rs. 1,400,000 in May 2018 and Rs. 89,990 had been spent to repair the vehicle.

Recommendation

Reports should be obtained expeditiously and recommendations should be implemented.

Accounting Officer's
Commentary

I report that it will take the further action by obtaining the final report of FR 104(3).

3.6 Contract Administration

Audit observation

Construction of side wall of Ihala Harasgama road - Rs.448,624

The Contracting Society, which had entered into an agreement with the Pradeshiya Sabha for a sum of Rs. 500,072 to carry out the relevant industry, had subcontracted the industry to a member of the Pradeshiya Sabha.

Recommendation

A formal investigation should be carried out in this regard and appropriate procedures should be followed.

Accounting Officer's
Commentary

If it is proved that subcontracts have been awarded, I will take action to register the society as bad.

4 Accountability and Good Governance

Internal Audit

Audit observation

Recommendation

Accounting Officer's
Commentary

Adequate internal audits had not been carried out and a copy of the internal audit reports had not been submitted to the audit.

Adequate internal audits should be conducted and reports should be submitted.

I will conduct internal audits as per the audit plan and submit copies of reports.