

Mathugama Pradeshiya Sabha  
Kaluthara District  
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1. Financial Statements  
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1.1 Presentation of Financial Statements  
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The Financial Statements for the year 2019 had been presented for audit on 13 March 2020 and the report of the Auditor General on 13 August 2020 and the Detailed Management Reports on 30 September 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion  
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In my opinion, except for the effect of matters described in the, basis for qualified opinion under In Section of my report the financial statements give a true and fair view of the financial position of the Mathugama Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion  
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(a) Accounting Deficiencies  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) The balance of the Fixed Deposit account was overstated by an amount of Rs.132,093 as at 31 December 2019.	Correct balance should be accounted.	Noted that it will be corrected by future accounts.
(ii) The cost of inventory items bought till the year under review amounting to Rs.3,816,102 was omission from the Financial Statements.	Should be included to the Financial Statements.	Noted that it will be rectified in 2020.
(iii) Although the Mathugama Public trade center Land was shown in the Fixed Assets Register as Rs.5,000,000, it was shown in Financial Statements as Rs.16,000,000 and as such it was overstated by an amount of Rs.11,000,000.	Correct balance should be accounted.	Noted that it will be rectified in future.
(iv) Although the balance of the Capital Contributions by Income account as at 31 December 2019 amounted to Rs.113,236,425, it was shown in financial statements as Rs.113,045,149 and as such it was understated by an amount of Rs.191,276.	Correct balance should be accounted.	Noted that it will be rectified in future.
(v) The cost of Rs.2,273,550 incurred for the repair of the Mathugama children's park and the value of two lands amounting to Rs.1,305,000 was not included in the financial statements.	All assets should be accounted.	Noted that it will be rectified in future.

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| (vi)  | 15 stock items amounting to Rs.298,770 in the Stock ledger as at the year under review was not included in the financial statements. | All the entire value of the stock should be accounted.            | Noted that the above stock items were accounted.     |
| (vii) | The book value of stock amounting to Rs.3,726,886 was accounted instead of accounting the Physical stock value.                      | The book value should be confirmed after investigating the stock. | An investigation report will be presented in future. |

(b) Unreconciled Accounts  
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Audit Observations  
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Recommendations  
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Comments of the Accounting Officer  
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| (i)  | There was a difference amounting to Rs.1,067,708 between the balances of the Financial Statement relevant to 07 Accounting items amounting to Rs.62,910,888 and their Sub Registers balance as at 31 December of the year under review. | the difference should be matched after comparing Financial statements. | No comments are given.                         |
| (ii) | Although the balance of the Capital Contribution by Income account as according to the Financial Statements amounted to Rs.361,879,185, and according to the Ledger accounts it was Rs.359,128,059.                                     | Correct balance should be accounted.                                   | Noted that it will be rectified in the future. |

(c) Receivable Accounts.  
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Audit Observations  
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Recommendations  
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Comments of the Accounting Officer  
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| (i)  | There was a receivable balance of Street lamp Donations due from numerous years amounting to Rs.358,225 and a Private Bus stop fees amounting to Rs.96,000. | Action should be taken to recover or to cut off receivable balances. | Noted that action will be taken to recover or to cut off receivable balances. |
| (ii) | Action had not been taken to settle or to take into income the balance of Work Deposits amounting to Rs.751,929 due from before 2015.                       | Action should be taken to settle or take into income.                | Noted that it will be rectified in financial statements of 2020.              |

(d) Lack of Documentary Evidence for Audit.  
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Audit Observations  
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Recommendations  
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Comments of the Accounting Officer  
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A total of Rs.124,969,002 of 06 items of accounting could not be satisfactorily vouched in audit due to the lack of updated

It is brought into attention that the value of the Assets should be confirmed using Fixed assets,

Noted that action will be taken to rectify in the

Fixed asset Registers, Deposit Register and balance Ledger accounts. Deposit registers and Ledger Accounts should be balanced to Financial Statements of 2020. prepare Financial Statements.

1.4 Non-Compliance

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

References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Section 21 of 1987 Pradeshiya sabha Act No.15.	Measurements were not done according to the survey plan for 387 identified roads according to Grama Niladhaaree Divisions.	Measurements should be done according to the Survey plan after identifying via Grama Niladhaaree Divisions.	Notified that a few roads of the council were gazetted and the approval was sent for the Minister in charge of the subject.
(b) Gazette Notification of the Democratic Socialist Republic of Sri Lanka No.2012 dated 14 December 2018.	Action had not been taken to collect income from 11 advertisement boards.	Action should be taken to collect the Advertisement Board income to the council.	Noted that action will be taken to collect the Advertisement Board income.

2. Financial Review

2.1 Financial Results

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According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.18,363,677 as compared with the corresponding Recurrent Revenue over Recurrent Expenditure for the preceding year amounted to Rs.34,020,020.

2.2 Revenue Administration

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Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment and tax	15,001,942	15,778,047	10,664,042	5,114,005	14,776,500	14,554,045	12,180,632	2,373,413
Rent	15,174,300	7,299,475	6,597,131	702,344	8,944,800	10,076,431	9,520,911	555,520
Permit fees	1,698,500	535,180	524,180	11,000	332,000	468,628	468,628	-
	<u>31,874,742</u>	<u>23,612,702</u>	<u>17,785,353</u>	<u>5,827,349</u>	<u>24,053,300</u>	<u>25,099,104</u>	<u>22,170,171</u>	<u>2,928,933</u>

2.2.2 Performance in Collecting Income.

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) The arrears of rates and taxes over 5 years and 01-05 years as at 30 June 2020 amounted Rs.744,748 to Rs.965,808 respectively.	Arrears of Assessment should be recovered.	Noted that an arrears of assessment report was presented
(b) Action had not been taken to prohibit property related to nonpayment of arrears of assessment.	Property should be prohibited to recover arrears of assessment.	Noted that action will be taken to recover arrears of assessment in future.

2.2.3 Court fines and Stamp fees.

Audit Observations	Recommendations	Comments of the Accounting Officer
The Court Fines amounting to Rs.3,300,000 and Stamp fees amounting to Rs.35,000,000 was to be taken from the Chief Secretary of the Provincial Council and other authorities at 31 December 2019 under review.	Arrears of income should be collected.	Action will be taken to recover arrears of income.

3. Operational Review

3.1 Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

Audit Observations	Recommendation	Comments of the Accounting Officer
(a) By laws  Although By laws should be enacted to perform 16 main facts under the Paragraph 126 of the Pradeshiya Sabha Act, only 03 By laws were enacted by the council even as at 31 December 2019.	Action should be taken to enact By laws for the relevant matters which by laws are not enacted for.	Noted that by laws were enacted for 08 matters that can be initiated within the area of authority.
(b) Action plan		
(i) The time frame for the initiation of projects was not identified in the Action plan.	The Projects and the time frame for the initiation should be identified in the Action plan.	Relevant action will be taken during the preparation of plans for the year 2021.

(ii)	Although 35 roads amounting to Rs.11.85 was built under works in the year under review, it was not included in the action plan.	Council works should be included in the action plan.	Noted that action will be taken correctly according to the action plan in the future.
(c)	<p>Sustainable Development Goals</p> <p>-----</p> <p>Although 13 programs were identified within 2019 for the initiation of 11 Goals of Sustainable development by the council, only 06 programs were initiated and the council had failed to present Performance reports for 03 programs and had reached poor results in 02 programs.</p>	Projects identified according to the Sustainable Development Plan should be done.	Will be initiated with integration planned provisions from 2020.
3.2	<p>Management Inefficiencies</p> <p>-----</p>	<p>Recommendation</p> <p>-----</p>	<p>Comments of the Accounting Officer</p> <p>-----</p>
	<p>Audit Observations</p> <p>-----</p>	<p>environment permits should be issued before expiry.</p>	<p>Noted that permits were issued to several industries and a portion had not come to collect permits due to the COVID problem.</p>
3.3.	<p>Human Resource Management</p> <p>-----</p>	<p>Recommendation</p> <p>-----</p>	<p>Comments of the Accounting Officer</p> <p>-----</p>
	<p>Audit Observations</p> <p>-----</p>	<p>(a) Vacancies and Excess of Cadre</p> <p>-----</p>	
(i)	19 vacancies in 11 positions were present. 33 workers were recruited based on casual, substitute and temporary were recruited except from the Actual Cadre.	Action should be taken to fill the vacancies and approval should be taken for excess of cadre.	Noted that relevant action is being taken to fill vacancies and substitutes are recruited under the Recruitment Procedure.
(ii)	41 officers were recruited to 06 positions according to 25/2014 Public Administration Circular and yet action had not been taken to include the said officers in the Approved cadre in the year under review.	Action should be taken according to the Circular.	Noted that the relevant documents were presented to the Authorities.
(b)	<p>Staff loans</p> <p>-----</p> <p>Arrears amounts of Rs.219,525 and Rs.69,900 due more than one year were to be recovered from three officers who had left service and two officers deceased respectively.</p>	Action should be taken to recover arrears of balances.	Noted that action is being taken to recover in the future.
3.4	<p>Operational Inefficiencies.</p> <p>-----</p>	<p>Recommendation</p> <p>-----</p>	<p>Comments of the Accounting Officer</p> <p>-----</p>
	<p>Audit Observations</p> <p>-----</p>	Preschool fees should not be charged without	The free preschool education will be given from 2021.

	Rs.506,300 were collected for the Entrance and monthly fees respectively without enacting by laws in 2018 and 2019.	enacting by laws.	
(ii)	Although the Plans for the land situated in Horanagoda road, Ovitigala, Mathugama was passed under conditions in 11 January 2019, yet plans for 24 lots were passed as at 12 September 2019 without the completion of the said conditions.	Plan conditions should be done before passing the plan.	Noted that plans were approved only for the developed of land.
3.5	<b>Procurement</b> ----- Audit Observations ----- Although a procurement plan was made for the year under review by the council, yet procurement was not done according to a detailed procurement plan and a time table for the Rs.20 million set aside from the budget for the development of roads.	<b>Recommendation</b> ----- Procurement should be done according to a Detailed procurement plan and a time table.	<b>Comments of the Accounting Officer</b> ----- Noted that a procurement plan will be made in future.
3.6	<b>Contract Management</b> ----- Audit Observations ----- An amount of Rs.601,794 was paid to Contract Societies for the use of Road compactor for 05 projects of development of roads without a confirmation of the number of times and the amount of time it was used.	<b>Recommendation</b> ----- A confirmation should be done on how many hours per meter the road compactor was used.	<b>Comments of the Accounting Officer</b> ----- Noted that the use of the Road compactor was not checked on how many times or days it was used since the tar was applied after crushing after application of the rocks.
3.7	<b>Unsolved Audit Observations</b> ----- Audit Observations -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a)	Paragraphs 1.2.1(b), (d), (f) and (j) of the 2018 Audit report had not rectified.	Orders of the Committee on Accounts should be initiated.	Noted that action will be taken to rectify in the future.
(b)	Paragraphs 2.2.1(g) and (h) of the 2017 Audit report were not rectified.	Accounting deficiencies of the preceding years should be rectified.	Noted that action will be taken to rectify in the future.