

Pitabeddara Pradeshiya Sabha
Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 02 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 31 August 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Pitabeddara Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Value of three Loud Speakers Valued at Rs. 106,500 received from the Ministry of Local Government and Provincial Council to the Sabha during the year under review had been omitted in the accounts.
- (b) Although the amount of Cash in Hand at the end of the under review relevant to three Bank Accounts according to the bank reconciliation statement was Rs. 86,578, it had been omitted in the financial statements.
- (c) Value of 47 categories of goods relating to the Water Stores Stock balance as at end of the year under review had not been computed and not shown as Stocks in Hand and therefore closing stock had been understated to the extent of that value.

- (d) Although the value of Acreage Tax, Water Charges and Lease Rent according to P.S 7 Debtors Report was Rs. 2,262,914 that value had been shown as Rs. 2,756,158 in the financial statements. Due that, value of Debtors had been overstated in a sum of Rs. 493,244.
- (e) Although the value of Land and Buildings according to Register of Fixed Assets as at the end the year under review was Rs.28,003,340 it had been accounted as Rs. 30,227,850 in the financial statements and therefore that value had been overstated in a sum of Rs. 2,224,510.
- (f) Although the value of Security Deposits of 20 officers and employees according to Employees Security Register was Rs.101,462, according to financial statements, it had been Rs. 53,604 only and therefore the amount understated in the accounts had been Rs. 47,858.

1.3.2 Unreconciled Control Account

While the value of balances relevant to 11 items of accounts according to financial statements was. Rs. 97,192,391, according to subsidiary registers/schedules value of those accounts had been Rs. 98,705,922 indicating a difference of Rs. 1,513,531.

1.3.3 Suspense Accounts

Action had not been taken during the year under review as well to identify and settle the Suspense Account balance of Rs. 4,392 shown under current liabilities since the preceding year.

1.3.4 Accounts Receivable and Payable

- (a) Value of Accounts Receivable balances which had elapsed a period of more than a year as at 31 December 2014 was Rs. 99,851,464.
- (b) Value of Accounts Payable balances which had elapsed a period of more than a year as at 31 December 2014 was Rs. 91,422,476.

1.3.5 Lack of Evidence for Audit

Board of Survey Reports relating to Assets valued at Rs.30227,850 and Schedules relating to Liabilities valued at Rs.2,428,618 and revenue amounting to Rs.1,493,936 were not submitted to audit. .

1.3.6 Non-compliance with Laws, Rules and Regulations etc.

Instances of non-compliance with Laws, Rules, Regulations observed in audit are shown below.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) <u>Pradeshiya Sabha (Financial and Administrative) Rules of 1988</u>	
(i.) Rule 193	- A statement showing reasons for the surpluses and deficits, had not been submitted having compared the Budgeted and Supplementary Votes Expenditure with the actual expenditure.
(ii.) Rules 218	- Although the Chairman should take action to inspect all Lands and Buildings utilized and used for occupation by the Sabha at least once a year, such action had not been taken.
(b.) Treasury Circular No. IAI/2002/02 dated 28 November 2002	- A Fixed Assets Register had not been maintained for Computer Accessories and Software.

2. **Financial and Operating 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 2014 had been Rs.6,897,611 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 5,470,127 in the preceding year.

2.2 **Revenue Administration**

2.2.1 **Performance in Revenue Collection**

Information relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

Source of Revenue	Estimated Revenue	Actual	Cumulative Arrears as at 31 December 2014
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates	1,101	914	217
(ii.) Rent	5,312	4,003	1,202
(iii.) Licence Fees	605	218	70
(iv.) Other Revenue	6,565	8,534	98,124

2.2.2 **Acreage Tax**

While Acreage Tax balance in arrears as at 01 January 2014 was Rs.203,738, with the billing for the year amounting to Rs. 31,035, total amount to be recovered was. Rs. 234,773. While a sum of Rs. 18,427 out of that amount had been recovered; percentage of recovery had taken a petty value of 7.8 per cent.

2.2.3 Lease Rent

While estimated Lease Rent for the year under review had been Rs. 5,312,000, amount in arrears as at end of the accounting year was Rs. 1,202,755 and it was 22 per cent of the estimated amount.

2.2.4 License Fees

Action had not been taken to recover Trade License Fees in arrears amounting to Rs.70,522 which was being brought forward during a number of past years.

2.2.5 Other Revenue

Other Revenue Debtors balance had been Rs.98,124,676.

2.2.6 Water Charges

- (a) While Water Supply had been provided to residents and various institutions in the area of authority of the Sabha, water consumers so provided with water supply had not duly settled the bills. While water supply of 129 consumers had been disconnected as at 31 December 2014 due to that, amount outstanding from those consumers was Rs.572,697.
- (b) While Water Charges balance in arrears as at 01 January 2014 was Rs.982,520, with the billing for the year amounting to Rs. 877,093, total amount to be recovered was Rs.1,859,613. While a sum of Rs. 1,103,554 out of that amount had been recovered; progress of recovery was 59 per cent.

2.2.7 Court Fines

Court Fines and Stamp Fees outstanding to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

Rs.

- | | |
|----------------|-----------|
| i. Court Fines | 2,586,117 |
| ii. Stamp Fees | 6,747,225 |

2.2.8 Telecommunication Transmission Tower Charges

Although 07 Telecommunication Transmission Towers had been erected in the area of authority of the Sabha during the years 2007, 2009, 2010 and 2011, by-laws had not been enforced to recover charges for those posts causing loss of revenue due to be recovered to the Sabha Fund.

2.2.9 Stalls Lease Rent

While recovery of rent from stalls belong to the Sabha had been in a very weak level, it had not been possible to recover the amount outstanding as at the end of the year under review even as at 22 July 2015, and that amount had been Rs. 318,910.

2.2.10 Rates

Although 04 Grama Niladhari Divisions of the area of authority of the Sabha had been notified as developed areas in terms of the Urban Development Authority Act through the Extra Ordinary Gazette Notification No. 1641/41 dated 08 February 2010, further action to be taken for recovery of Rates in those areas had not been fulfilled by the Sabha. Due to that, Rates revenue for a period of about 05 years, from February 2010 to 31 December 2014 had been lost to the Sabha.

3. Operating Review

3.1 Management Inefficiencies

In terms of clause 11.5 of the Circular No. 08/2005 dated 31 March 2005 of the Secretary to the Ministry of Public Administration, difference between the bank Rates of interest for property loans and 4.2 percent interest Rates recovered from the officer should be reimbursed by the Government. However the amount not reimbursed as at 31 December 2014 was Rs. 239,645.

3.2 Assets Management

- (a) According to the Board of Survey Report as at 31 December 2014 of the Morawaka, Pitabeddara and Kalubovitiyana Libraries belong to the Sabha, 96 library books valued at Rs.102,400 had not been presented for verification. Legal action to be taken in connection with the persons responsible for that had not been taken.
- (b) Suitable action had not been taken with regard to surpluses and shortages of inventory goods observed according to the Board of Survey Report as at 31 December 2014 relating to Head Office of the Sabha, Sub-office, Ayurvedic Dispensary, Libraries and Pre-schools.

3.3 Human Resource Management

Information relating to cadre of the Sabha as at 31 December 2014 is shown below.

Category of Employees	Approved	Actual	Vacant	Excess
Tertiary	02	01	01	-
Secondary	21	18	03	-
Primary	30	26	04	-
Other(Casual and Temporary Contract)	-	05	-	05
	53	50	08	05

While a sum of Rs. 13,214,315 had been reimbursed from the Commissioner of Local Government for Staff Salaries and Allowances, during the year a sum of Rs. 17,983,221 had been spent as salaries and allowances, causing an additional expenditure burden of Rs. 4,768,906 to the Sabha Fund.

4. Accountability and Good Governance

4.1 Internal Audit

An Internal Audit Unit had not been established in terms of Paragraph 8 of the Circular No. 03 dated 08 November 2005 of the Secretary to the Ministry of Provincial councils and Local Government.

4.2 Audit and Management Committees

Audit and Management Committees had not been established.

4.3 Budgetary Control

When estimated revenue and expenditure according to the Budget presented for the year under review is compared with actual revenue and expenditure, material variations are observed and therefore the Budget had not been made use of as an effective tool of financial management.

5. Systems and Controls

The Special attention is drawn for the following areas of systems and controls.

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Financial Control
- (d.) Revenue Administration
- (e.) Assets Management