

Malimbada Pradeshiya Sabha
Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year under review had been presented for audit on 16 June 2011 and the financial statements for the preceding year had been presented for audit on 16 June 2010.

1.2 Opinion

So far as appears from my examination and to the explanation given to me, I am of opinion that Malimbada Pradeshiya Sabha had maintained proper accounting records except for the effects on the financial statements of the matters referred to in paragraph 1:3 of this report for the year ended 31 December 2010 and the financial statements have been prepared in accordance with Generally accepted Accounting Principles, give a true and fair view of the state of affairs of the Malimbada Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) Although a sum of Rs.976,050 had been received in respect of 06 works for the year under review, that amount had been accounted under creditors.
- (b) Payable amount of Rs.500,000 in respect of construction of Kirimatimulla Adikarivilagama main road had not been stated in the creditors schedule.
- (c) Payable amount of Rs.96,613 to the Local Government Pension Fund at the end of the year under review had not been stated in the Financial Statements.

1.3.2 Accounts Payable

The value of accounts payable amounting to Rs.3,761,865 which remained outstanding for more than 01 year as at 31 December 2010.

1.3.3 Lack of Evidence for Audit

Transaction valued at as Rs.47,711,977 belonging to the 08 items of accounts could not be satisfactorily vouched in audit due to the non-availability of required information for audit.

1.3.4 Non-compliance

The non-compliances with Laws, Rules, Regulations etc. observed in audit are given below.

Reference to the Laws, Rules, Regulations etc.	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administrative)	

(i) Rule 17	Action had not been taken to maintain a register including information of counterfoil as per P.S. 21 Form.
(ii) Rule 193	A statement of explanation on excesses and deficiencies after reconciliation of actual balances of expenditure items with supplementary and budgetary expenditure had not been furnished for audit.
(iii) Rule 194 to 206	Inventory Register had not been updated.
(b) Public Administration Circular	

(i) Circular No.08/2005 dated 31 March 2005	The government contribution for the property loan to be borned by the government, a sum of Rs.3,949 for the year 2009 and a sum of Rs.148,047 for the year 2010 had been borned by the Sabha fund.
(ii) Circular No.05/2008 dated 06 February 2006	An enactment for citizens beneficial had not been established as manner of written bond to have services from the Pradeshiya Sabha for the requirements of the public in expensively, efficiently and continuously according to the Circular instructions.

(c) Circular No.7/1/4/1 dated 17 April 2008 of the Chief Secretary

Although every field officers to be get approved their advance programme at the last date of the month in advance, without such approval a sum of Rs.28,771 had been paid to four officer in the year under review.

The duties of the field officers had not been drawn to a responsible officer's supervision whilst no field inspection reports were furnished.

02. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented revenue over recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs.2,570,612 as compared with the revenue over recurrent expenditure for the preceding year amounted to Rs.2,828,325.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Even though the Chairman was requested by my letter of 03 March 2011 to present the revenue, actual revenue and arrears of revenue relating to the year under review and preceding year in the specified format. However, it was ascertained in audit that presented information were not accurate. According to the statement of arrears of revenue presented along with the financial statements, the position as at 31 December 2010 as compared and summarized with that preceding year is given below.

Description -----	Arrears of Revenue -----		Increase as a percentage -----	Decrease as a percentage -----
	2010 ----- Rs'000	2009 ----- Rs'000		
Rates	74	63	17.20	-
Arrears of Fees	271	306	-	11.39
Other Revenue	7,131	5,463	30.51	-

2.2.2. Arrears of Rent and Charges

(a) Action had not been taken to recover recoverable rent and charges amounting to Rs.344,659 relating to the year under review and preceding year, according to the provision of Sections 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987.

(b) By letter No. 06/01 dated 20 October 2010 of the Commissioner of Local Government Southern Province had directed to prepare a proper plan and implement for the recovery of arrears of revenue. However, no action had been taken accordingly.

2.2.3 Court Fines

Court Fines amounting to Rs.116,321 collected and remitted to Chief Secretary up to 31 December 2010 by 02 Magistrates' Courts under various Ordinance were receivable by the Sabha.

2.2.4 Stamp Fees

A sum of Rs.2,900,000 and a sum of Rs.24,000 were receivable as at 31 December 2010 from the Register General and Treasury respectively as stamp fees.

2.3 Expenditure Structure

The budgeted and actual expenditure and the variances of the Sabha for the year under review and the preceding year are given below.

Item of Expenditure	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Recurrent Expenditure						
Personal						
Emoluments	9,046	7,261	1,785	8,083	6,714	1,369
Others	4,678	4,403	275	3,989	2,997	992
Sub Total	13,724	11,664	2,060	12,072	9,711	2,361
Capital Expenditure	9,578	8,206	1,372	6,121	2,580	3,541
Grand Total	23,302	19,870	3,432	18,193	12,291	5,902

2.4 Human Resources Management

2.4.1 Approved and Actual Cadre

- (a) Information of the approved and actual cadre of the Sabha as at 31 December 2010 are shown below.

Category of Employee -----	Approved -----	Actual -----
Staff	01	01
Secondary	07	06
Primary	12	09
Others	03	08
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	23	24
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- (b) Although according to the income and expenditure account of the year under review, the staff salaries amounted to Rs.7,261,263 Only Rs.6,162,000 had been reimbursed by the Commissioner Local Government the difference of Rs.1,099,263 had to be borne by the Sabha.
- (c) Although the recruitment of employees on casual, substitute and contract basis to the Local Government Institutions had been suspended by Circular No.28 of 10 April 2006 and Management Services Circular NO.14 dated 03 January 2002 of the Secretary to the Treasury, contravening to these provisions of employees had been recruited an a sum of Rs.506,306 were paid out of the Sabha fund. It had been emphasized that if the recruitments done by superseding these circular's instructions the Head of the Institute should be held responsible personally.

2.5 Assets Management

2.5.1 Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs.45,659.

2.5.2 Staff Loans Recoverable

Staff Loans and advance balances recoverable as at 31 December 2010 amounted to Rs.3,076,750.

2.5.3 Unverified Assets

The value of assets computed on book balances as at 31 December 2010 and not supported by Board of Survey Reports amounted to Rs.34,246,222.

2.6 Operating Inefficiencies

2.6.1 Receipts in Land Blocks for General Amenities

- (a) The Chairman had approved on 10 June 2010 to sub divide 33 blocks by Land Survey Plan No.10/562 and 26 blocks by NO.10/563 extent of Hectare 1.3939 (3 Acres, 1 Rood 31-11 perch) belongs to the land named Nakaranda-Godahena within the area of authority of the Sabha.

The following observations are made in this connection.

- (i) According to the Development Regulation Circular No.6.2(1) dated 30 September 1992 of the Chairman of the Urban Development Authority and Order No.22(1) of Gazette Notification No.392/9 dated 10 March 1986 of the said Authority, out of the portion of 551.11 perch (1.3939 hectare) after deducting 15.32 perch for the roads and a portion of 53.579 perch similar to 10% from the balance to be allocated from the suitable places for community and recreation puposes. Only 27.91 perch had been allocated from two blocks. Accordingly, 25.669 perch had been allocated in less whilst the value of dispossessed lands blocks was Rs.1,925,175.
- (ii) Action had not been taken to recover 1% tax amount of Rs.323,064 recoverable when selling at lands as per section 154(6) of the Pradeshiya Sabha Act. And Section 2(iii) of the above Circular.
- (iii) Although the receiving portion to the Sabha for common amenities to be given from best place the received block No.2 was rough slope one whilst block No.7 was rough slope and small one extent of 2.65 perch.
- (iv) The title deed No.1203 valued at Rs.80,000 for the blocks extent of 27.91 perch had been received for community and recreation purposes. However, according to the information presented for audit the value of land blocks were Rs.2,093,250 and understated value was RS.2,013,250. Due to this, stamp fees amounting to Rs.40,765 had been dispossessed to the Sabha.

- (v) Before auctioned the lands the requirements of the Geological Survey and mines Bureau and Central Environmental Authority had not been complied and without following conditions of the supply of electricity land blocks had been sold out
- (b) Liberty Terrace - Horagoda Telijjawila

The Chairman had approved to sub-divide 65 blocks by committee decision No.2007/93 dated 09 August 2007. The extent of this land according to the Survey plan No.2959 was 06 Ares 02 Roods 10 perch (2.6557 Hectare)
- The following matters were observed in this connection.
- (i) As per above Development Regulations 6(iv) a sum of Rs.204,949 to be recovered as 1% tax, only Rs.80,704 was recovered. Therefore, arrears amount was Rs.124,245.
- (ii) When such division of the land the title deed was not received to the Sabha and receivable block No.40 should be from the excellent place. Although it was rocky and slope one. Further, when giving approval for the sub-division, conditions with regard to the tarring on specific roads and supply of electricity had not been fulfilled. And no name board to indicate the ownership of the land block to the Sabha and no protection fence were installed. This had been observed at the physical verification carried out on 18 June 2011.
- (c) Telijjawila, Akurugoda Road Peligala Hana Land

The Chairman had approved to Sub divide 42 Land blocks out of land extent of 03 Areas 5.60 perch (1.2283 Hectare) by Survey Plan No.10 C/2010.
- The following observation are made in this connection.
- (i) As per Gazette Notice No.392/9 and Development Regulations 6.2(1) as mentioned above paragraph 2.6.1, out of the sub-divided land 43.97 perch was receivable for community and Recreation activities after excluding streets, although only 10 perch had been received in block No.20. Therefore, 33.97 perch received in less. The value of this land block amounted to Rs.38,895.
- (ii) It had been decided to allocate large portion as reserved zone extent of 01 rood, 3.65 perch by letter No. 27 dated 08 September 2010 of the Chairman. The portion to be vested to the Sabha had not been transferred by a deed of gift. Only reserved portion No.27 had been transferred by deed of gift No.209 dated 24 July 2000.

(iii) The physical verification carried out on 28 November 2011 in connection with this sub-division. The following matters were revealed.

- * The internal roads and drainage system of the developed land had not been done in specific standard as instructions of the technical officers.
- * The culvert connected with the internal drainage system had not been constructed in due standard. Hence, flowing of the water had been obstructed.
- * The retaining wall had not been constructed as instructed by letter of 10 July 2010 of the Director of the Central Environmental Authority.

(d) Take over the Land for Elgiriya Community Hall

One of the owner of this undivided land extent of 08 perches had been transferred to the Sabha by a deed of gift and Sabha had constructed Community Hall there. Two cases in Matarra District Court and one case in Appeal Court had been initiated against the construction of this Community Hall.

2.6.2 Delay in implementation of projects.

A Sum of Rs.231,000 had been received for four Projects under the provisiuous of Provincial Council during the year under review. Those projects had not been implemented even date of 23 June 2011.

2.6.3 Maintenance of Street Lights.

The following information were revealed at the audit inspection carried out in June 2011 in respect of maintenance of street light within the area of authority of the Sabha.

- (i) When purchasing electrical accessories in connection with street light maintenance, the request for the necessity Electrical Technician and approval of the Technical Officer required for the purchases. However, no such procedure was followed.
- (ii) No. Number of Code system is functioning to identify separately maintenance of each street lights within the area of authority of the sabha

and also, no register had been maintained in respect of fixing of accessories and electrical bulbs for each street lights.

- (iii) A sum of Rs.361,472 had been incurred for the maintenance of street lights within the area of authority of the Sabha and only a sum of Rs.21,456 had been reimbursed from the Ceylon Electricity Board thus expenditure amounted to Rs.340,016 had to be borne by the Sabha Fund

3. **Systems and Control**

Special attention is needed of the Sabha in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Control
- (c) Budgetary Control
- (d) Assets Control
- (e) Expenditure Control

