

Malimbada Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 05 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 December 2014.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Malimbada Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

- (a) According to Circular No. PED/54 of 19 January 2010 of the Director General of Public Enterprises, the Local Authorities should prepare financial statements in accordance with the Sri Lanka Public Sector Accounting Standards from 01 January 2011. Nevertheless, those Standards had not been followed.
- (b) The cash flow statement had not been presented along with the financial statements of the year under review.

1.3.2 Accounting Policies

The accounting policies followed in the preparation of those accounts had not been disclosed in the financial statements presented for the year under review.

1.3.3 Accounting Deficiencies

The following matters are observed.

- (a) In the payment of road constructions for the preceding year, in the year under review, a sum of Rs. 54,000 deducted from the money payable to the contractors for the construction of name boards relevant to those roads had been credited to the Capital Expenditure Account under the physical planning, roads, lands and buildings programme. As such, the capital expenditure of the year under review had been understated in the accounts by that amount.

- (b) According to the Fertilizer Stock Register relevant to the Solid Waste Management Project maintained by the Pradeshiya Sabha, the value of the fertilizer stock of 384 kilograms which had remained at the end of the year under review had not been computed and shown in the balance sheet.
- (c) Even though creditors provisions amounting to Rs. 600,000 had been made as at 31 December 2013 for the works of repairing the Galendakuttiya Main Road under the Provincial Specific Works in the year 2013, according to the payment report, as the amount payable to the contractor amounted to Rs. 537,877 the capital expenditure had been overstated by Rs. 62,123.

1.3.4 Accounts Receivable and Payable

- (a) Other outstanding income for over 01 year at the end of the year under review amounted to Rs. 8,742,964
- (b) The value of balances of accounts payable for a period of 01 year and over at the end of the year under review amounted to Rs. 6,354,309.

1.3.5 Lack of Evidence for Audit

Evidence in respect of two items valued at Rs. 37,743,427 included in the accounts had not been made available to audit.

1.3.6 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with following laws, rules and regulations observed in audit are as follows.

Reference to Laws, Rules, Regulations etc.

Non-compliance

- (a) Pradeshiya Sabha (Finance and Administration) Rules 1988

Rule 218

Even though the Chairman should take action to verify the lands and buildings at least once in every year, it had not been so done.

- (b) Treasury Circular No. 2002/02 of 28 November 2002

A Register of Fixed Assets in respect of computer accessories and software had not been maintained.

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 2013 amounted to Rs.263,252 as compared with the excess of revenue over recurrent expenditure amounting to Rs.598,225 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review presented by the Chairman is given below.

Items of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	Rs. 000	Rs .000	Rs. 000
Rates	1,629	878	102
Rents	1,861	1,994	130
Other Revenue	21,035	16,048	6,105

2.2.2 Rates

Billing of rates of Rs. 146,366 (after deducting 10 per cent discount) and the outstanding balance of Rs. 101,643 as at 01 January 2013 totalled Rs. 248,009 and the charges for the year amounted to Rs. 151,457. The percentage of recovery was 61 per cent and in terms of Section 158(1) of the Pradeshiya Sabha Act, No.15 of 1987, the Secretary of the Sabha who is the Revenue Collecting Officer had not paid attention in respect of recovery of arrears in rates.

2.2.3 Acreage Tax

Billing of acreage tax for the year under review amounted to Rs. 4,272 and the amount recoverable as at 01 January 2013 along with the outstanding balance of Rs. 4,819 amounted to Rs. 9,091. Out of the said total amount, the receipts in the year amounted to Rs. 2,796 and the percentage of recovery was 30 per cent.

2.2.4 Court Fines and Stamp Fees

The court fines and stamp fees receivable from the Chief Secretary and other authorities of the Provincial Council at the end of the year under review are given below.

	<u>Rs.</u>
(i) Court Fines	943,254
(ii) Stamp Fees	5,120,592

3. Operating Review

3.1 Management Inefficiencies

3.2 Operating Inefficiencies

3.2.1 Maintenance of Street Lamps

The following matters are observed.

- (a) The maintenance of the street lamps within the area of authority of the Sabha had not been done in accordance with paragraph 1.4 of the Circular Letter No.PE/01/01 dated 17 August 2010 of the Secretary to the Ministry of Power and Energy. Even though the consumption of the street lamps should be limited to 3 per cent of the household consumption and the general purpose retail consumption in the area in the installation of street lamps, the Sabha had not paid attention to that aspect.
- (b) Even though the number of street lamp posts was 1044 according to the Street Lamp Inventory maintained by the Sabha, the number of street lamps approved by the Electricity Board for the area of authority was 91.
- (c) According to the maintenance reports on fixing electric equipment obtained by the electrician, it was observed that a stock of 287 bulbs at the value of Rs. 72,840 had been retained in hand without fixing at the end of the year under review.

3.2.2 Uneconomic Transactions

- (a) An interlocking blocks production machine had been purchased in the preceding year by spending a sum of Rs. 175,644 for the Interlocking Blocks Project. This machine had been inoperative for a period of about 2 years as the activities of the said project had not been commenced.
- (b) A sum of Rs. 68,826 had been spent in this year for the activities of this project and the sum of Rs. 244,470 spent up to now had been fruitless as no fruitful action had been carried out from the said money.

3.2.3 Human Resources Management

Particulars on the cadre of the Sabha as at 31 December 2013 are given below.

<u>Category of Employees</u>	<u>Approved</u>	<u>Actual</u>	<u>Vacancies</u>	<u>Excess</u>
Tertiary	01	02		01
Secondary	17	16	01	
Primary	21	19	02	
Other(Casual, Temporary, Contract basis)	-	02		02
	----	----	----	----
	39	39	03	03
	====	====	====	====

- (i) A sum of Rs.7,053,900 had been reimbursed in the year under review by the Commissioner of Local Government as the salaries of staff and the Members' allowances. The expenditure on salaries and allowances for the year amounted to Rs.10,850,615, thus resulting in an additional expenditure of Rs.3,796,715 for the Sabha Fund.
- (ii) Salaries of Rs. 668,900 had been paid in the year under review by recruiting 06 temporary road labourers for a road project. The Sabha had not indicated the establishment of a road project and the number of employees required for it and obtained approval from the Southern Provincial Commissioner of Local Government.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate internal audit had not been carried out in the Sabha.

4.2 Audit and Management Committees

Audit and Management Committee meetings had not been held for the year under review.

4.3 Procurement Plan

A Procurement Plan had not been prepared for the year under review in terms of 42(b) of Circular No. ජ.ප.නි./ප.වි. නි./ 18 of 25 January 2006.

4.4 Budgetary Control

Significant variances were observed between the budgeted income and expenditure, thus indicating that the budget of the Sabha had been made use of as an effective instrument of financial control.

5. Systems and Controls

Special attention of the Sabha is paid in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management