

## **Matara 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 26 March 2014 and the financial statements for the preceding year had been presented on 26 August 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 December 2014.

##### **1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.3.2 of this report, the financial statements give a true and fair view of the financial position of the Matara Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

- (a) The Local Authorities should prepare the financial statements as per Sri Lanka Public Sector Accounting Standards with effect from 01 January 2011 in accordance with the Circular No. PED/54 of the Director General of Public Enterprises dated 19 January 2010. However, those standards had not been followed.
- (b) Cash flow statement had not been presented together with the financial statements for the year under review.

###### **1.3.2 Accounting Deficiencies**

The following deficiencies are observed.

- (a.) According to the financial statements for the preceding year, the total of the other due income amounted to Rs. 61,201,915 as at 31 December 2012. However, a sum of Rs. 478,649 had been overstated in the accounts by showing the initial value in the financial statements of the year under review as Rs. 61,680,564.

- (b.) (i) The value of the stock in hand amounting to Rs. 1,762,296 as per the financial statements of the year under review, had been accounted without being classified.
- (ii) The value of stock of fuel and street lamps amounting to Rs. 46,812 by the end of the year under review, had not been shown in the financial statements.
- (c.) The value of salaries and wages not paid during the year under review amounting to Rs. 49,276 had been accounted under creditors as an expense without being classified in the financial statements. This weakness that had been pointed out even in the preceding year ,had not been rectified even in the year under review.
- (d.) A sum of Rs. 134,714 payable to Kekunadura Farmer's Organization as retention money for the construction of boundary wall of the Pradeshiya Sabha, had not been accounted under creditors in the financial statements.
- (e.) According to the financial statements of the year under review, the value of employee surety investments of the Sabha amounting to Rs. 10,112 , had not been accounted in the financial statements as refundable deposits.
- (f.) Of an advance amounting to Rs. 20,000 paid for the opening ceremony of the new building held on 23 May 2013, the sum that had been saved without being spent amounting to Rs. 7,221 , had been settled on 29 May 2013 with the receipt No. 93199, and the expenditure of Rs. 12,779 had been shown in the financial statements under pre payments without being accounted.
- (g.) Creditor provisions had not been allocated for the pension contribution amounting to Rs. 1,632,428 payable by the end of the year under review.
- (h.) A sum of Rs. 360,000 had been estimated for the court fines for the preceding year, but the actual sum received was Rs. 286,818. Accordingly, accounts had not been adjusted with journal entries for overprovisions amounting to Rs. 73,182.
- (i.) Although the income from the acreage tax amounting to Rs. 11,238 receivable during the year under review had been shown in the acreage tax registry , it had not been accounted as income under debtors in the financial statements.
- (j.) According to the deposit registers of the year under review, deposits valued at Rs. 8,810,065 with regard to 04 items of account, had not been accounted in the financial statements as refundable deposits.

### 1.3.3 Unreconciled Control Accounts

According to the financial statements presented by the end of the year under review, the value of 06 items of accounts amounted to Rs. 10,054,436 , whereas the value was Rs. 6,812,335 in accordance with the schedules presented, indicating a difference of Rs. 3,242,101.

### 1.3.4 Accounts Receivable and Payable

The following matters are observed.

- (a.) The value of receivable balances older than 01 year as at 31 December 2013, amounted to Rs. 1,955,004.
- (b.) The value of payable balances older than 01 year as at 31 December 2013, amounted to Rs. 68,630,300.

### 1.3.5 Non-settled Accounts

Seven account balances amounting to Rs. 34,276,293 had been shown in the financial statements for the year under review without being settled.

### 1.3.6 Lack of Evidence for Audit

Evidence had not been presented to audit in connection with 07 items of account valued at Rs. 41,421,111.

### 1.3.7 Non-compliance with Laws, Rules, and Regulations

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

<u>Reference to Laws, Rules, and Regulations</u>	<u>Non-compliance</u>
(a.) Treasury Circular, No.2002/02 dated 28 November 2002	A registry of fixed assets for computer accessories and software had not been maintained.
(b.) Public Administration Circular, No. 08/2005 dated 31 March 2005	According to Paragraph 11.5 of the Circular on the amendment of property loans, the difference between the Bank interest rate and the 4.2 per cent recovered from the officer will be borne by the Government. A sum of

Rs.111,506 paid from the Sabha Fund on the loans obtained by 11 officers, had not been reimbursed even as at 14 August 2014.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue for the year ended 31 December 2013 amounted to Rs.2,421,337 as against the excess of revenue over recurrent expenditure amounting to Rs.2,296,972 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual Revenue, and Arrears of Revenue

Particulars on the estimated revenue, actual revenue, and arrears of revenue presented by the Chairman, are as follows.

<u>Source of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears as at 31 December</u>
	<u>Rs. 000</u>	<u>Rs. 000</u>	<u>Rs.,000</u>
Rates	1,510	327	697
Lease Rents	4,313	1,294	1,129
License Fees	1,799	834	76
Other Income	51,874	35,909	96,644

#### 2.2.2 Performance of Collecting Revenue

##### Rates

The value of rates in arrears as at 01 January of the year under review amounted to Rs. 817,999. The amount recoverable for the year under review including Rs. 298,089 of billings, was Rs. 1,116,088. As the amount collected during the year was Rs. 540,185, the percentage of recovery was 48 per cent. Furthermore, attention of the Secretary to the Sabha, the officer in charge of collecting revenue, had not been drawn on the recovery of revenue as per Section 158(1) (c) of the Pradeshiya Sabha Act, No. 15 of 1987.

##### (a.) Lease Rents

The value of lease rent in arrears as at 01 January of the year under review amounted to Rs. 1,129,898. The amount recoverable for the year under review

including Rs. 834,618 of billings , was Rs. 1,964,516. As the amount collected during the year was Rs. 959,226 , the percentage of recovery was 48 per cent.

- (i) It had been decided at the general meeting held on 28 June 2012 to write off 35 per cent of the lease rent assessed in the year 2005 for 07 stalls.
- (ii) Lease rents from the stalls at Swarnapurawara, Kekunadura amounting to Rs. 43,875, and a sum of Rs. 23,100 from the lease of lands in the industrial park of Kekunadura, remained due in the year under review.
- (iii) Although there had been a due amount of Rs. 300,335 from 4 stalls that had been removed in the year 2005, it had not been recovered.
- (iv) According to the verdict of the case filed under the No. 9254 against Mr. Keerthi Munasinha on the arrears of lease rents of the stalls, it had been stated that a sum of Rs. 116,313 be recovered as lease rents and fine. However, action had not been taken to recover the said sum.

### **2.2.3 Court Fines and Stamp Fees**

The values of fees that remained receivable from the Chief Secretary and other officers of the Provincial Council as at 31 December 2013 are as follows.

	Rs.
(a) Court fines	433,181
(b) Stamp fees	10,711,976

## **3. Operating Review**

### **3.1 Operating Inefficiencies**

The following matters are observed.

#### **3.1.1 Construction of Temporary Toilets and Bath Rooms**

The letter dated 06 September 2011 by the Assistant Commissioner of local authorities had approved that the said proposal be implemented and the funds should be obtained either from the Minister of Rehabilitation and Prison Reforms , or the Sabha Fund. Accordingly, a sum of Rs. 92,101 had been paid from the Sabha Fund on 06 September 2012 by signing an agreement with the Samurdhi Force in Makawita. However, action had not been taken even as at 20 August 2014 to reimburse the cash.

### 3.1.2 Identified Losses

The report of the board of survey for the year 2013 on the *Artgalle* gymnasium maintained by the Sabha, had stated that there had been shortages with regard to 14 items issued to the aforesaid gym. However action had not been taken to compute the value of shortage and identify the officers or persons responsible.

### 3.2.3 Board of Survey

Action had not been taken to assess the shortage of goods and equipment , and identify the offices responsible as per the board of survey for the year 2013.

### 3.1 Human Resources Management

Approved and actual number of cadre of the Sabha as at 31 December 2013 is as follows.

<u>Category of Employee</u>	<u>Approved</u>	<u>Actual</u>	<u>Vacancies</u>	<u>Excess</u>
Executive	01	01	-	-
Secondary	32	36	-	04
Primary	56	51	05	-
Other (casual/Temporary /contract basis)	-	04	-	04
<b>u</b>	<b>89</b>	<b>92</b>	<b>05</b>	<b>08</b>

A sum of Rs. 20,582,222 had been reimbursed by the Commissioner of Local Government as employee salaries and allowances for members of Parliament during the year under review. As the said expenditure during the year amounted to Rs. 16,705,600, the Sabha Fund had incurred an additional expense of Rs. 3,876,622.

## 4. Accountability and Good Governance

### 4.2 Budgetary Control

As variations had been observed between the estimated and actual expenditure according to the budget presented for the year under review, it was observed that the budget had not been made use of as an effective instrument of management control.

## 5. Systems and Controls

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

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