

Pasgoda 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 the Audit on 09 May 2016 and the financial statements for the preceding year had been presented to the Audit on 04 April 2015. The Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 03 January 2017.

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 Pasgoda Pradeshiya Sabha as at 31 December 2015 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 Accounting Policies

The accounting policies adopted for the preparation of the financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The value of equipment purchased during the year under review at a cost of Rs.572,195 had not been capitalized.
- (b) The loan installments payable to the Local Loans and Development Fund in respect of the year under review totalling Rs.326,108 had not been brought to account.

1.3.2 Accounts Receivable and Payable

Even though there were 08 outstanding other revenue balances older than 03 years, a creditors balance of Rs.1,531,450 and 04 deposit balances older than 05 years amounting to Rs.684,282 , steps had not been taken for the settlement of those balances.

1.3.4 Lack of Evidence for Audit

In view of the failure to furnish evidence such as the Reports of the Annual Boards of Survey in respect of lands and buildings totalling Rs.16,997,710 and the updated and properly maintained Register of Fixed Assets and Schedules in respect of machinery, motor vehicles and carts totalling Rs.12,513,907 , those could not be satisfactorily examined in audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

A statement of reasons for the actual expenditure of the items of expenditure, the excesses and shortfalls together with the budgeted and supplementary estimates had not been presented in terms of Rule 193 of the Pradeshiya Sabhas (Financial and Administrative) Rules – 1988.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.9,268,648 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.6,337,604. Accordingly, the financial results for the year under review, indicated an improvement of Rs.2,931,044.

2.2 Analytical Financial Review

The following observations are made.

- (a) The recurrent expenditure of the Sabha represented a percentage exceeding 76 per cent of the total recurrent revenue and as such as compared with the revenue the expenditure had been at a higher level.
- (b) A Summarized Statement of the total Recurrent Revenue, the Revenue Grants, the Self-generated Revenue and the total Recurrent Expenditure of the Sabha for the year under review and the two preceding years is given below.

Year	Total Recurrent Revenue	Revenue Grants	Self-generated Revenue	Total Recurrent Expenditure	Recurrent Expenditure exceeding the Self-generated Revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	39,177,941	20,436,757	18,741,184	29,909,293	(11,168,109)
2014	31,284,518	12,476,128	18,808,390	24,946,914	(6,138,524)
2013	26,182,098	10,961,872	15,220,226	21,789,672	(6,569,446)

The following observations are made in this connection.

- (i) Even though an improvement of the Revenue Grants of the Sabha in the year under review and the two preceding years is indicated, the self-generated revenue of the year under review as compared with the preceding year, indicated a decrease.
- (ii) Even though the recurrent expenditure had been increasing at a fast pace continuously in every year, the attention of the Sabha had not been paid for controlling that situation.
- (iii) The recurrent expenditure of all three years had exceeded the self-generated revenue by considerable amounts.

- (iv) If Revenue Grants are not received, it would not be possible in any manner whatsoever to cover the recurrent expenditure from the self-generated revenue of the Sabha.
- (v) In view of the matters shown in paragraphs (i) to (iv) above, it is observed that the attention of the Sabha should be paid for increasing the revenue position, and that a formal course of action for that purpose should be prepared and implemented and if such action is not taken, it would create problems relating to the financial position of the Sabha due to the weak financial management prevailing in the Sabha thereby causing adverse impacts on the going concern of the Sabha.

2.3 Revenue Administration

2.3.1 Rates and Taxes

Even though the Sabha had passed a resolution in the year 2014 for naming Urubokka Town as a Rates Zone, the revenue receivable by the Sabha Fund had been deprived of as that decision had not been implemented even by the end of the year under review.

2.3.2 Acreage Tax

The total amount for recovery, including the opening outstanding balance and the billings for the year amounted to Rs.209,893. Even though 49 per cent of the opening balance of arrears and 51 per cent of the billings had been recovered action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of the arrears.

2.3.3 Trade Stall Rents

- (a) The total recoverable which included opening arrears balance and the billings for the year amounted to Rs.2,878,978 and 20 per cent of the opening arrears and 15 per cent of the billings only had been recovered. In view of the progress of the recovery of arrears of Trade Stall Rents being at a low level, the balance of arrears as at the end of the year amounted to a high level of Rs.2,407,315.
- (b) The lease agreements of 26 Trade Stalls of the new Trading Complex of Urubokka Town and the Trade Stalls opposite the Venus playground had not been updated and the arrears recoverable as at the end of the year under review amounted to Rs.2,210,515. Even though the Trade Stall Rents had been valued from September 2014, rents had not been recovered according to the valuation.
- (c) Contrary to clause 6 of the lease agreement and the provisions in the Circular No. දපපා/පපාකො/2010/01 dated 27 December 2010, the original lessees of 09 Trade Stalls of the Urubokka New Trading Complex had sublet the Trade Stalls.

2.3.4 Street Lamps Aid

The opening arrears balance and the billings for the year amounted to Rs.259,740 and 17 per cent of the opening arrears and 51 per cent of the billings had been recovered during the year. An adequate attention had not been paid for the recovery of the arrears.

2.3.5 Courts Fines and Stamp Duty

Courts fines amounting to Rs.836,937 and the Stamp Duty amounting to Rs.5,970,895 remained receivable from the Chief Secretary of the Provincial Council and other Authorities.

3. Operating Review

3.1 Performance Evaluation

National Programme for Uplifting Pradeshiya Sabhas

Out of the sum of Rs.6 million allocated, the expenditure statements relating to the sum of Rs.1,000,000 spent in July of the year under review had been forwarded after a delay. As such the balance Rs.5,000,000 had not been released and it had not been possible to implement 10 projects during the year.

3.2 Management Inefficiencies

The following observations are made.

(a) According to the Cadre Plan, there were 04 vacancies in the approved posts and an excess of 04 employees. Nevertheless, action had not been taken either for filling the vacancies or for formulising the excess posts.

(b) Bank Accounts

According to the Reconciliation Statement of the Bank Current Account relating to the General Fund of the Sabha, the unidentified direct credit of Rs.241,927 brought forward over a long period had not been identified and settled.

3.3 Operating Inefficiencies

Staff Loans

The staff loan balance of Rs.2,313,868 as at the end of the year under review included 09 balances amounting to Rs.29,603 remaining outstanding over a number of years.

3.4 Contract Administration

The following observations are made.

(a) The Ministry of Highways had rejected the payments relating to the development of 02 roads carried out from the allocation of Rs.1,000,000 made in the year 2013 under the Maga Neguma Road Development Programme due to the lack of the specified standard in the concrete blocks (25/N/nm) used for the works. These works had been complete failures and no action whatsoever had been taken in terms of clause 13 of the contract agreement to redo the work.

- (b) The work on the development of Ehelakanda Abeykoon Yaya Road scheduled for carrying out at an expenditure of Rs.1,000,000 under the Village to Village, Door to Door Programme 2014 had not been commenced even by the end of the year.
- (c) Even though creditors provision of Rs.200,000 had been made for the construction of a Buddhist Shrine in front of the Head Office, that work had not been executed during the year.

3.5 Solid Waste Management

The following matters were observed during the course of an inspection of the Solid Waste Management in the area of authority of the Sabha.

- (a) The Sabha had disposed of garbage to a land belonging to the Divisional Secretariat.
- (b) Even though a tax is not recovered for the disposal of garbage, in the area of authority, the Sabha had spent a sum of Rs.2,872,805 in the year under review for Solid Waste Management.

4. Good Governance and Accountability

4.1 Budgetary Control

The expenditure under one item of expenditure in the budget for the year under review had exceeded in the limit by Rs.3,623,771 , the savings under 06 other items of expenditure totaled Rs.5,545,638 , the non-achievement of targeted revenue under 05 items of revenue amounted to Rs.2,478,060 whilst the favourable variance in 02 items of revenue amounted to Rs.4,500,056. As such the budget had not been made use of as an effective instrument management control.

4.2 Internal Audit

Even though an adequate internal audit had not been carried out as specified in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. දළපා/යන/01/නවලේ dated 24 February 2014 of the Commissioner of Local Government of the Southern Province, the Internal Audit Officer appointed by the Sabha had been paid a sum of Rs.426064 as salary and allowances during the year under review.

4.3 Audit and Management Committee

Action in terms of the provisions in the Management Audit Circular No.DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

4.3 Assets Management

----- Idle and Underutilized Assets -----

Out of 07 motor vehicle owned by the Sabha as at the end of the year under review, the Gully Bowser had not been used for running whilst the use of the other motor vehicles as well had been at the minimal level.

6. Systems and Controls

Special attention of the Sabha is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Financial Control
- (d) Assets Management
- (e) Human Resources Management