

**Malimbada Pradeshiya Sabha  
Matara District**

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**1 Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 31 July 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Malimbada Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed in audit.

- (a) Provision for creditors and capital expenditure relating to Thelijjawila library building development programme had been overstated in the accounts by Rs.781,042.
- (b) The sum of Rs.200,000 receivable for renovating a road had not been brought to account.
- (c) The arrears of advertisement board charges for the year under review amounting to Rs.94,890 had not been brought to account.
- (d) The fuel charges payable for the year under review had been understated in the financial statements by Rs.37,706..

**1.3.2 Accounts Receivable and Payable**

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**(a) Accounts Receivable**

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The debtor's balances of Rs.52,250,798 as at end of the year under review included 16 balances totalling Rs.1,570,742 over 03 years.

(b) **Accounts Payable**  
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The balance of payable of Rs.16,234,661 as at end of the year under included 18 balances totalling Rs.1,008,425 over 03 years.

**1.3.3 Lack of Necessary Documentary Evidence for Audit**  
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Nine items of accounts totalling Rs.114,167,156 could not be satisfactorily vouched in audit due to non- rendition of necessary information.

**1.3.4 Non-compliance**  
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**1.3.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions**  
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Instances of non-compliance with laws, rules, regulations and management decisions appear below.

| <b>Reference to Laws, Rules, Regulations and Management Decisions</b> | <b>Non - compliance</b>  |
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| -----   | -----  |
| (a) 1988 Pradeshiya Sabha (Finance and Administration) Rules          |  |
| (i) Rule 33   | A list of defaulters of rates and taxes and restraining orders had not been prepared.  |
| (ii) Rule 193   | A statement showing reasons for surpluses and deficits had not been furnished by reconciling the budgeted and supplementary estimates with the actual expenditure.               |
| (iii) Rule 199  | The numbers and dates of payments of vouchers had not been entered against all entries of receipts appearing in the registers of general stores and register of electrical food. |

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|--|---|
| (b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka   | Action had not been taken regarding deposits valued at Rs.574,409 over 02 years.                                |
| (c) Sub Section 10.1 of Chapter vii of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and the circular No.21/2013 of 09 October 2013 of the Secretary to the Ministry of Public Administration and Home Affairs.. | A sum of Rs.126,823 had been paid as holiday pay to 03 officers for 90 days in contravention of the conditions. |

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.14,520,472 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.15,200,750.

## 2.2 Revenue Administration

### 2.2.1 Estimate Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

| Source of Revenue | 2017                     |                       |                          |  | 2016                     |                       |                          |  |
|-------------------|--------------------------|-----------------------|--------------------------|--|--------------------------|-----------------------|--------------------------|--|
|                   | Estimated Revenue<br>Rs. | Revenue Billed<br>Rs. | Revenue Collected<br>Rs. | Total arrears as at 31 December<br>Rs. | Estimated Revenue<br>Rs. | Revenue Billed<br>Rs. | Revenue Collected<br>Rs. | Total arrears as at 31 December<br>Rs. |
| Rates and Taxes   | 1,449,000                | 1,261,776             | 1,212,335                | 133,099                                | 1,288,900                | 1,206,262             | 1,223,665                | 83,658                                 |
| Rent              | 2,963,600                | 1,676,617             | 1,674,117                | 95,728                                 | 1,463,100                | 1,633,935             | 1,662,235                | 93,228                                 |
| Licence Fees      | 632,000                  | 457,734               | 457,734                  | 16,800                                 | 460,000                  | 590,255               | 590,255                  | 16,800                                 |
| Other Revenue     | 18,509,700               | 20,898,757            | 9,554,261                | 39,258,043                             | 14,546,300               | 18,613,941            | 2,598,450                | 27,913,547                             |
| Total             | 23,554,300               | 24,294,884            | 12,898,447               | 39,503,670                             | 17,758,300               | 22,044,393            | 6,074,605                | 28,107,233                             |

## **2.2.2 Performance in Collection of Revenue**

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The total estimated revenue of the year under review amounted to Rs.23,554,300 and the revenue billed was Rs.24,294,884. The total arrears at the commencement amounted to Rs.28,107,233 along with which the total amount receivable amounted to Rs.52,402,117. However, the total revenue collected during the year amounted to Rs.12,898,447 resulting in a total arrears of Rs.39,503,670 as at end of the year.

## **2.2.3 Rates and Taxes**

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### **(a) Rates**

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The arrears of rates at the commencement of Rs.73,080 had become Rs.222,592 after adding the amount billed, that is, Rs.149,512. The total recoveries amounted to Rs.101,222 and as such the arrears of balance amounted to Rs.121,370 as at end of the year.

### **(b) Acreage tax**

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The arrears of acreage tax at the commencement amounted to Rs.8,052 and the amount billed for the year was Rs.4,514. Amount receivable was Rs.12,566 and the total recoveries amounted to Rs.837 resulting in an arrears of Rs.11,729 as at end of the year.

## **2.2.4 Rent**

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The billings for the year amounting to Rs.1,421,568 together with arrears at the commencement of Rs.93,228 resulted in receivables amounting to Rs.1,514,796. The total recoveries amounted to Rs.1,419,068 and as such the arrears as at end of the year amounted to Rs.95,728. No recoveries, whatsoever, had been made from the arrears of balances at commencement.

## **2.2.5 Court Fines and Stamp Fees**

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Court fines of Rs.1,440,112 and stamp fees of Rs.37,817,931 were due from the Chief Secretary of the Provincial Council and other authorities.

## **3. Operating Review**

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### **3.1 Performance**

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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

**(a) Non achievement of the expected output level**  
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- (i) According to the budget for the year, 31 development schemes were to be executed at Rs.11,000,000 from the funds of the Sabha. However, 30 schemes had not been executed.
- (ii) A sum of Rs.2,000,000 had been approved to repair the Malimbada Fair premises by laying inter connected block stones in 2007. The money had been refunded as the work had not been executed.

**(b) Sustainable Development Target**  
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The Sabha had not prepared the long term plan for sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

**3.2 Human Resources Management**  
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The following matters were observed.

- (a) Eight employees had been recruited in excess of the approved cadre. Vacancy for an employee existed.
- (b) A sum of Rs.2,302,373 had been paid as salaries to 05 employees in 2017 who had been recruited on casual, contract and substitute basis without the approval of the Director General of Management Services as per Management Services circular No.03/2014 of 31 March 2014 of the Secretary to the Treasury.
- (c) Two sanitary labourers over 60 years of age had been employed on casual basis and a sum of Rs.442,680 had been paid during the year 2017 while there were 09 sanitary labourers in the Sabha.

**3.3 Assets Management**  
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**Idle / Under utilized Assets**  
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The following matters were observed.

- (a) A cab belonging to the Southern Provincial Council taken over for services of the army and returned in 2010 remained in the premises of the Sabha beyond usage.
- (b) The Secretary to the Ministry of Local Government, Southern Province had entered into an agreement with a contractor to construct the Malimbada Fair on 11 November 2016 for

Rs.3,420,704 and had entrusted all the supervisory activities to the Sabha. The Sabha had not furnished the bills on the due dates. As such, out of the amount allocated, a sum of Rs.2,199,907 could not be used. The ground floor of the building of the fair constructed by spending Rs.1,800,093 remained idle for over one year. As such, a private land had been obtained on lease to conduct the fair for which Rs.120,000 had been paid during 2017.

#### **3.4 Irregular Transactions**

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The Secretary of the Sabha had been authorized to approve 80 hours of overtime per month for essential duties by the letter of the Commissioner of Local Government No.දපපා/07/මුල ලිපිය 29 October 1997. The lady Secretary had appointed an identical employee to work as watcher and field labourer and had paid Rs.71,429 for working 1037.5 hours in excess of the approved limit.

#### **3.5 Uneconomic Transactions**

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The machinery defects of the tractor purchased for Rs.1,245,000 on 30 December 2016 had been reported to the company of purchase on 23 August and 10 November 2017. Action had not been taken to inform and obtain another one in exchange for this which had been purchased with 2 year's of guarantee period. The expected results had not been obtained as the tractor had worked for 02 hours only in 2017.

### **4. Accountability and Good Governance**

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#### **4.1 Budgetary Control**

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Significant variances were observed between the budgeted and actual revenue and expenditure of the year under review as shown below. It was thus observed that the budget had not been utilized as an efficient instrument of management control.

- (a) The savings in 08 objects of Rs.15,790,011 ranged from 21 per cent to 100 per cent.
- (b) Targets not achieved in respect of 05 item of revenue totalled Rs.5,623,123 ranging from 13 per cent to 43 per cent.

#### **4.2 Internal Audit**

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Adequate internal audit had not been carried out in terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular No.දපපා/යහ/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government. The internal audit programme had not been prepared in consultation with the Auditor General. Meanwhile, copies of internal audit reports had not been furnished to audit.

#### **4.3 Implementation of Audit and Management Committed**

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Action had not been taken even by end of the year under review to establish Audit and Management Committees in terms of the Management Audit Circular No.DMA/2009(i) of 09 June 2009.

#### **4.4 Unresolved Observation and unreplied Audit Queries**

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The following matters were observed.

- (a) Ten blocks of land of 09 acres, 01 rood and 36 perches of the Sabha remained idle. Action had not been taken even during the year under review to mark the boundaries and safeguard 25 acres and 18 perches of land belonging to the Sabha.
- (b) The block stone manufacturing machine valued at Rs.175,644 purchased by the Sabha remained idle since 2012.
- (c) The sum of Rs.105,000 recoverable from a private businessman for giving the stone roller of the Sabha costing Rs.7,967,144 on lease at Rs.1,500 per hour had not been recovered by the Sabha.
- (d) The construction work of the Malimbada Alawaththahena General cemetery had been stopped. However, action had not been taken to recover the sum of Rs.100,000 paid to the firm of contractors 18 years ago.
- (e) Two land had been purchased to construct a crematorium. But, the Sabha had not drawn its attention to construct at least one crematorium in a land to fulfil common amenities of the public of the area.

#### **5. Systems and Controls**

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed assets
- (b) Revenue Administration
- (c) Budgetary control
- (d) Accounting