

**Pitabeddara Pradeshiya Sabha**

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**Matara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented for audit on 16 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman 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 Pitabeddara 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**

**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed in audit.

- (a) Payables and receivables of Rs. 30,560,772 relating to 10 work had been omitted in the debtors and creditors account as well as the capital aid and capital expenditure account.
- (b) Four constructions made by spending Rs. 1,427,035 from the funds of the Sabha and the Provincial Specific Development Grant during the year under review had not been capitalized as fixed assets.
- (c) A sum of Rs. 45,000 received for 03 work completed by utilizing the becko machine of the Sabha under the members' provision had been accounted under Capital Expenditure Creditors instead of Capital Aid.
- (d) Stamp fees revenue of the previous year had been under estimated by Rs. 3,384,242. Necessary adjustments had not been made during the year under review to rectify it.
- (e) The arrears of garbage tax revenue of Rs. 283,500 as at end of the year under review had not been brought to account.

- (f) A sum of Rs. 1,225,940 had been overstated as Capital Expenditure during the previous year. This had been accounted twice while rectification.
- (g) Provision for debtors and creditors had been understated by Rs. 211,846 on behalf of 05 works valued at Rs. 2,950,168 which had been completed.
- (h) The debit and credit entries totalling Rs. 132,030 relating to 03 journal entries had been interchanged.

### **1.3.3 Unreconciled Accounts**

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Differences totalling Rs. 45,095,999 were observed between the balances of 16 items of accounts appearing in the financial statements and the related subsidiary registers / schedules.

### **1.3.4 Accounts Receivable and Payable**

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#### **(a) Accounts Receivable**

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Balances of Rs.24,782,274 over 03 years had been included in the capital aid debtors balances totalling Rs.38,613,411 as at end of the year under review.

#### **(b) Accounts Payable**

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- (i) Balances of Rs 25,744,847 over 03 years had been included in the capital expenditure creditors balances totalling Rs. 40,365,979 as at end of the year under review.
- (ii) Action had not been taken to settle even during the year under review the balance of value added tax of Rs. 624,939 which continued to be brought forward from previous years.

### **1.3.5 Lack of Necessary Documentary Evidence for Audit**

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Seven items of accounts totalling Rs. 41,821,685 could not be satisfactorily vouched in audit due to non rendition of necessary information.

### 1.3.6 Non-compliance

#### 1.3.6.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

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>
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rule 193	A statement showing causes for surpluses and deficits had not been furnished by reconciling the actual expenditure of objects with the budgeted and supplementary expenditures.
(b) Financial Regulation of the Socialist Democratic Republic of Sri Lanka	
(i) F.R 571	Action had not been taken with regard to 83 balances of refundable retained deposits of Rs. 919,377 over 03 years.
(ii) F.R.R 102 - 112	Report on losses and damage regarding the accident caused to the vehicle on 01 July 2016 had not been furnished. An expenditure of Rs. 194,630 had been incurred on repairs. A further sum of Rs. 17,502 was due from the insurance. A register of losses and damages had also been not maintained
(c) Public Administration Circular No.30/2016 of 29 December 2016	Consumption of fuel by 09 vehicles of the Sabha had not been tested.

## 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 2017 amounted to Rs. 5,503,867 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 5,368,175.

## 2.2 Revenue Administration

### 2.2.1 Estimated 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	2016				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,158,750	1,452,395	1,444,348	265,441	1,040,750	1,115,543	1,087,682	257,394
Rent	4,448,000	5,715,998	5,256,984	1,662,458	4,303,000	5,391,823	5,591,798	1,203,444
Licence Fees	305,100	312,923	312,923	70,552	232,100	238,287	238,287	70,522
Other Revenue	10,821,000	12,134,615	9,376,183	16,414,597	11,282,500	14,673,155	6,556,234	13,656,165
Total	16,732,850	19,615,931	16,390,438	18,413,018	16,858,350	21,418,808	13,474,001	15,187,525

## 2.2.2 Performance in collection of Revenue

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The total estimated revenue of the year under review amounted to Rs. 16,732,850 and the amount billed was Rs. 19,615,931. The total arrears at the commencement amounted to Rs. 15,187,525 along with which the total amount receivable amounted to Rs. 34,803,456. However, the total revenue collected during the year amounted to Rs. 16,390,438 resulting in a total arrears of Rs. 18,413,018 as at end of the year.

## 2.2.3 Rates and Taxes

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### (a) Rates

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The Grama Niladhari divisions of the area had been declared as improved areas in terms of the Gazette Notification No. 1824 of 28 February 2010. However, the Sabha had not commenced recovery of rates accordingly from 2010 to end of the year under

### (b) Acreage Tax

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The opening arrears of Rs. 256,749 added to the billings of Rs. 31,883 of the year resulted in recoverables of Rs. 288,632. The total recoveries amounted to Rs. 23,191. As such, the arrears as at end of the year amounted to Rs. 265,441.

### (c) Water Charges

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The following matters were observed.

- (i) The billing of Rs. 771,747 added to the opening balance of Rs. 959,589 resulted in recoverables amounting to Rs. 1,731,336. The total recoveries amounted to Rs. 796,816 and as such the arrears as at end of the year amounted to Rs. 961,520. A sum of Rs. 351,171 was recoverable from since 2011 from the defunct project of Alapaladeniya.
- (ii) Action had not been taken to recover the arrears of Rs. 373,099 from 140 water consumers. Agreements had not been entered into with 391 water consumers. A sum of Rs. 2,333,966 had been spent on repairs, maintenance, salaries and wages of the water project. However, the revenue obtained was only Rs. 796,816. As such, the Sabha had lost Rs. 1,537,150 on its maintenance.

## 2.2.4 Rent

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The following matters were observed.

- (a) Billings of the year of Rs. 3,981,993 added to the opening balance of Rs. 581,139 resulted in recoverables amounting to Rs. 4,563,132. The total recoveries amounted to

Rs. 3,536,804 and as such the arrears of balances as at end of the year amounted to Rs. 1,026,328. A sum of Rs. 644,152 was due from 14 stallholders who owed arrears of over 10 instalments. The agreements entered into with them had expired.

- (b) The tenders for the Morawaka Monday weekend Fair and the fish stall were Rs. 1,056,550 and Rs. 772,200 respectively in 2016. These amounts had not been declared as the minimum amount tendered in 2017. As such, the tender for 2017 had caused a loss of Rs. 108,500 and Rs. 810,000 respectively as compared with 2016.

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

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Court fines amounting to Rs. 2,443,470 and stamp fees amounting to Rs. 13,900,606 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

## **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) Deviation from objectives**

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Sixty eight budgeted work proposals worth Rs. 25,098,000 had been planned to be executed in 2017 by using the funds of the Sabha and other provisions. None of these had been executed by end of 2017. A sum of Rs. 15,525,931 had been spent under various provision on 14 work which had not been approved by budget proposals.

#### **(b) Non-achievement of the Expected Output Level**

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Thirteen items of work valued at Rs. 260,041 had been completely left out while constructing the Predeshiya Sabha building in 2014. The estimated value of 05 work executed was Rs. 1,787,193 and the work not executed was Rs. 854,147. A sum of Rs. 84,574 had been paid for work not mentioned in the estimates. The work concerned had not been done according to the agreement. But, Rs. 1,423,429 had been released for work done and retentions and tender security deposits of Rs. 201,213 had been released. The first floor of the office building had been constructed in 2013 and the rest of the work had not been completed. As such, the ground floor had been affected and the expected benefits had not been achieved.

**(c) 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 Management Inefficiencies**  
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Road rollers of the Sabha weighing 08 tons and 04 tons had been given on hire at the rate of Rs. 10,000 per day for 29 days and 30 days respectively. A proper procedure had not been prepared for hire of the machine

**3.3 Human Resources Management**  
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The following observations are made in this connection.

- (a) Action had not been taken to fill 04vacancies in the approved cadre and to regularize 10 surpluses.
- (b) Thirteen minor employees had been assigned with work not relevant to their posts. As such, Rs. 1,564,143 had been paid as salaries and overtime to labourers recruited to cover up duties of minor employees.

**3.4 Assets Management**  
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**3.4.1 Safety of Assets not Ensured**  
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There were unauthorized cultivators and settlers in 04 land belonging to the Sabha. The Sabha had not taken any action, whatsoever, in this connection.

**3.4.2 Assets not Acquired**  
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The ownership and extent of 15 blocks of land of the Sabha valued at Rs. 22,016,131 had not been confirmed

**3.4.3 Idle / Under utilized Assets**  
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- (a) Five stalls and 05 land valued at Rs. 16,329,104 had not been made use of.
- (b) A hand tractor of the Sabha valued at Rs. 210,000 and a three wheeler valued at Rs. 281,925had not performed during the year. The motor cycle valued at Rs. 156,520 had only performed 21.5 kilometres.

### **3.5 Uneconomic Transactions**

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The following matters were observed.

- (a) The double cab of the Sabha had performed 50270 kilometres during 2017 and the expenditure on fuel was Rs. 551,583. A test check revealed that only 837 kilometres had been performed on official duties in March 2017. The private usage was 2764 kilometres.
- (b) The new Becco vehicle of the Sabha had performed 48 hours in excess of the approved machine hours. As such, an extra expenditure of Rs. 162,833 had been incurred on fuel.

### **3.6 Procurement**

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#### **3.6.1 Supplies and Services**

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Proper procurement procedure had not been adopted for calling for quotations to enter into agreements for the contract for the work relating to the construction of the upper floor of the building of the Pitabeddera Pradeshiya Sabha.

#### **3.6.2 Contract Administration**

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A sum of Rs. 386,029 had been paid for work relating to construction of the access road to the Multipurpose building of the Sabha, deviating the procurement guidelines. 04 items of work valued at Rs. 211,815 had not been completed.

## **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) Savings in 06 items of expenditure totalling Rs. 1,739,358 ranged from 6 to 64 percent.
- (b) The targets not achieved in 02 items of revenue aggregated Rs. 2,933,480 which ranged from 04percent to 67 percent.

### **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.දපසා/ගන/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 had not been furnished to audit.

#### **4.3 Audit and Management Committees**

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Action had not been taken by end of the year under review to establish Audit and Management Committees in terms of the Management Audit Circular No.DMA/2009(1) of 09 June 2009.

#### **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) Collection of revenue
- (c) Budgetary control
- (d) Accounting