

**Athuraliya Pradheshiya 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 26 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 09 August 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 Athuraliya Pradhshiya 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) The sum of Rs.8,171,715 to be brought to account as revenue of the previous year had been brought to account as revenue of the year under review by 24 journal entries.
- (b) The expenditure of the previous year had been debited and credited to the expenditure of the year under review by 23 journal entries. As a result, the expenditure of the year had been overstated by Rs.246,192.
- (c) The value of fixed assets of Rs.4,799,830 purchased and constructed during the year under review had not been capitalized.
- (d) Overprovision of capital creditors amounting to Rs.189,287 had been made for 2 work executed from the funds of the Sabha during the year under review.
- (e) The audit fees of Rs.155,940 paid for the previous year had been shown as expenditure of the year under review in the financial statements.
- (f) The sum of Rs.419,015 deducted from the salaries for no pay and half pay leave had been shown as other aid in the financial statements.

- (g) Capital aid and debtors on behalf of 02 developments projects of the year under review had been overstated by Rs.173,419.
- (h) Stamp fees revenue of the previous year had been understated by Rs.4,731,774. Wrong adjustments amounting to Rs.5,535,945 had been made to rectify this. As a result, the accumulated fund and the stamp fees debtors had been understated by Rs.10,267,719.
- (i) A sum of R.9,455,204 and a sum of Rs.1,595,077 had been erroneously debited and credited respectively to the Surplus and Deficit Account.
- (j) The Surplus and Deficit Account had been debited in order to rectify the overstatement of Rs.857,649 of Furniture and Equipment of the previous year.

### **1.3.2 Unreconciled Accounts**

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The total of balances of 13 items of accounts as per financial statements amounted to Rs.64,511,386 The difference between these and the balances appearing as per subsidiary registers/schedules aggregated Rs.5,805,574.

### **1.3.3 Accounts Receivable and Payable**

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

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- (i) Four balances totalling Rs.92,618 over 03 years had been included in the balances of Capital Aid Debtors totalling Rs.22,431,683 as at end of the year under review.
- (ii) The interest on property loans over 03 years as at end of the year under review amounted to Rs.218,134.

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

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- (i) Four balances totalling Rs.248,438 over 03 years had been included in the balances of Capital Aid Debtors totalling Rs.28,475,005 as at end of the year under review.
- (ii) A sum of Rs.675,577 was payable to the Akuressa Pradeshiya Sabha for the properties acquired while establishing the Pradeshiya Sabha. This had not been settled even as at end of the year under review.

### 1.3.4 Lack of Necessary Documentary Evidence for Audit

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Twelve items of accounts aggregating Rs.116,236,822 could not be satisfactorily verified in audit due to non-remission of necessary information.

### 1.3.5 Non-compliance

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#### 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.

#### Reference to Laws, Rules, Regulations and Management Decisions

#### Non - compliance

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Reference to Laws, Rules, Regulations and Management Decisions	Non - compliance
(a) 1988 Pradeshiya Sabha (Financial and Administration) Rules	
(i) Rule 59	Industries within the area of the Sabha had not been surveyed.
(ii) Rule 145	A descriptive statement had not been prepared for the refundable deposits in order to adjust the balances appearing in the ledger.
(iii) Rule 165	The ledger accounts had not been correctly reconciled by correctly entering the journal entries in the main ledger.
(iv) Rule 193	The actual expenditure of Objects had not been reconciled with the budgeted and the supplementary approved expenditure and a statement for causes of surpluses and deficits had not been furnished.
(v) Rule 218	Land and buildings of the Sabha had not been surveyed during the year under review.

(b) Financial Regulations of the Democratic Socialist  
Republic of Sri Lanka

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(i) F.R 371 (2) (b)

Advances remaining unsettled even by 30  
June 2018 amounted to Rs.40,000.

(ii) F.RR 1645 and 1646

Daily running charts and monthly  
performance summaries of 09 vehicles of  
the Sabha had not been furnished to audit

**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.7,350,434 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,661,952.

## 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	2017				2016			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	1,332,050	1,866,640	1,656,434	1,106,932	1,305,500	1,206,272	1,229,111	896,726
Rent	4,751,000	260,250	255,115	17,538	4,293,000	3,397,330	3,434,127	12,403
Licence Fees	214,100	166,220	167,720	1,085	162,100	194,385	192,235	2,585
Other Revenue	7,892,500	14,181,458	21,812,734	7,012,581	6,222,300	9,105,686	2,496,060	14,643,857
Total	14,189,650	16,474,568	23,892,003	8,138,137	11,982,900	13,903,673	7,351,533	15,555,571

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

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The total estimated revenue of the year under review amounted to Rs.14,189,650 and the amount billed amounted to Rs.16,474,568. The total receivable had become Rs.32,030,139 along with the opening arrears of Rs.15,555,571. However, the total revenue collected during the year amounted to Rs.23,892,003 resulting in a total arrears of Rs.8,138,137 as at end of the year.

## **2.2.3 Rates and Taxes**

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### **Rates**

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A sum of Rs.2,763,366 was receivable by the addition of both, that is the opening arrears of Rs.896,726 and the billings of the year amounting to Rs.1,866,640. Total recoveries amounted to Rs.1,656,434 resulting in a balance of arrears of Rs.1,106,932 as at end of the year.

## **2.2.4 Rent**

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The opening arrears of Rs.12,403 added to the billings of Rs.260,250 had resulted in receivables amounting to Rs.272,653. The total recoveries were Rs.255,115 resulting in an arrears of Rs.17,538 as at end of the year.

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

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Court fines of Rs.233,800 and stamp fees of Rs.6,443,636 were due from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review.

## **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) Bye - Laws**

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Thirty bye – laws had to be enacted to fulfil 30 main matters under Section 126 of the Pradeshiya Sabha Act. But, bye – laws had been enacted for 11 matters only even by 31 December 2017.

#### **(b) Action Plan**

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An annual action plan had not been prepared on behalf of all functions to be fulfilled in terms of the bye – laws enacted.

**(c) Non achievement of the Expected output level**  
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Estimates had been prepared to execute 130 work worth Rs.119,751,000 in 2017 by utilizing the funds of the Sabha and the capital aid. However, none of them had been executed.

**(d) Execution of Capital Work**  
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The overall estimated capital expenditure for the year aggregated Rs.121,467,750 and the cost of work done during the year amounted to Rs.30,276,402. The progress of the capital work estimated for 02 programmes was very low. Capital expenditure had not been incurred on public utility services during the year under review.

**(e) Solid Waste Material Management**  
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An expenditure of Rs.17,301,194 had been incurred on Solid Waste Material Management from 2013 to end of 2017. A separate unit had not been established for solid waste material management. Eight tons of garbage collected from 1526 units of rate payers had been disposed of at various places of the authoritative area of the Sabha without being segregated.

**(f) 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 observations are made in this connection.

- (a) Four posts approved by the Director of Management Services were vacant while there were 09 excesses.
- (b) Four employees had been recruited on daily and contract basis contravening the Management Services Circular No.03/2014 of 31 March 2014 of the Secretary to the Treasury which requires prior approval of the Director General of Management Services and the circular No.25/2014 of 12 November 2014 of the Secretary to the Ministry of Public Administration and Home Affairs. A sum of Rs.968,847 had been paid as salaries on behalf of them from April 2015 to 31 December of the year under review.

**3.3 Procurement**  
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A procurement procedure had not been prepared for the year under review. An expenditure of Rs.32,514,539 had been incurred on work, goods and services and supplies during the year.

#### **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 05 items of expenditure totalling Rs.2,757,503 ranging from 06 per cent to 59 per cent were observed.
- (b) Adverse variances of Rs.138,963 were in 03 items of expenditure ranging from 06 per cent to 92 per cent.
- (c) Adverse variances in 05 items of revenue aggregated Rs.27,092,493 which ranged from 22 per cent to 94 per cent.
- (d) The budgeted work for the year under review valued at Rs.1,000,000 had exceeded the approved limit by Rs.557,171.

##### **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.දපභ/යන/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 in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to audit.

#### **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