

**Kamburupitiya Pradeshiya Sabha
Matara District**

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 19 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 31 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Kamburupitiya 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

The following accounting deficiencies were observed in audit.

- (a) Salaries and allowances of substitutes of Rs.331,730 for the previous year had been brought to account as expenditure of the year.
- (b) Provision for creditors had been made for 06 work of the previous year. In spite of this, provision for creditors amounting to Rs.960,357 had again been made for the said work.
- (c) The expenditure on maintenance of vehicles and creditors had been overstated by Rs.159,395.
- (d) The expenditure payable for construction of the office latrine and the amount receivable had been overstated by Rs.333,018 and Rs.633,018 respectively.
- (e) Ten per cent of retentions of Rs.574,641 on behalf of 04 work of the previous year had again been provided during the year under review.
- (f) The sum of Rs.120,000 obtained for a work during the year under review had been brought to account as capital aid receivables.

budgeted and supplementary approved expenditure.

(b) Financial Regulations of the Republic of Sri Lanka

(i) Financial Regulations 104

Action had not been taken in terms of the said regulation with regard to the vehicle which had met with an accident during the year under review.

(ii) Financial Regulation 110

A register with 11 columns had not been maintained to enter details of losses.

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.13,229,118 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,884,716.

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 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	1,500,753	1,989,885	1,818,934	1,319,640	336,464	1,491,248	1,458,432	1,148,689
Rent	6,804,527	6,768,502	6,159,783	1,653,701	5,211,924	5,811,423	5,882,573	1,044,982
Licence Fees	857,000	1,413,330	1,406,630	85,795	1,352,000	972,206	972,206	79,095
Other Revenue	20,298,692	22,645,674	14,114,191	55,018,666	16,949,852	20,808,310	14,760,010	46,487,183
Total	29,460,972	32,817,391	23,499,538	58,077,802	23,850,240	29,083,187	23,073,221	48,759,949

2.2.2 Performance in Collection of Revenue

The total revenue estimated for the year under review amounted to Rs.29,460,972 and the revenue billed amounted to Rs.32,817,391. The total receivables became Rs.81,577,340 after adding the opening arrears of Rs.48,759,949. However, the total revenue collected during the year amounted to Rs.23,499,538 resulting in a total arrears of Rs.58,077,802 as at end of the year.

2.2.3 Rates and Taxes

The following matters were observed.

(a) Rates

The arrears at the commencement of Rs.832,808 added to the billings of the year of Rs.1,317,816 had resulted in receivables of Rs.2,150,624. The total recoveries amounted to Rs.1,151,027 resulting in an arrears of Rs.999,597 as at end of the year.

(b) Acreage tax

The arrears at the commencement of Rs.315,881 added to the billings of the year of Rs.24,436 had resulted in receivables of Rs.340,317. The total recoveries during the year amounted to Rs.20,275 resulting in an arrears of Rs.320,042 as at end of the year.

2.2.4 Rent

The year's billing of Rs.6,768,502 added to the opening arrears of Rs. 1,044,982 had resulted in receivables of Rs.7,813,484. The total recoveries during the year amounting to Rs.6,159,783 had resulted in a balance of arrears of Rs.1,653,701 as at end of the year.

2.2.5 Licence Fees

The arrears at the commencement amounting to Rs.79,095 added to the billings during the year amounting to Rs.1,413,330 had resulted in Rs.1,492,425 as receivable. The arrears of balance as at end of the year amounted to Rs.85,795.

2.2.6 Water Charges

A sum of Rs.5,670,825 was receivable made up of the arrears of Rs.1,903,889 at the commencement and the billings of Rs.3,766,936 during the year. The total recoveries during the year amounted to Rs.4,505,554 and as such the balance of arrears as at end of the year amounted to Rs.1,165,271.

2.2.7 Court Fines and Stamp Fees

Stamp fees amounting to Rs.24,931,913 and court fines amounting to Rs.1,165,185 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 03 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

A sum of Rs.3,430,000 had been estimated for fulfilment of 07 various functions as shown below. Of this, a sum of Rs.441,089 had been spent. However, the following instances of non achievement of the expected output level were observed.

Function	Estimated Amount	Value of work executed	Observation
	Rs.	Rs.	
General Administration	1,000,000	-	Not executed
Health Services	230,000	-	Not executed
Water services	1,000,000	319,166	Expected level had not been completed.
Utility Services	500,000	-	Not executed
Welfare Services	700,000	121,923	Expected level had not been completed.
	3,430,000	441,089	

(b) Solid Waste Material Management

About 03 tons of garbage is being collected daily without being classified. The Sabha had incurred an expenditure of Rs.7,372,866 for collection of garbage during the year under review. No recoveries, whatsoever, had been made for collection of garbage at hospitals, factories, houses and slaughter houses. Out of the garbage collected, degradable garbage and the solid waste material had been heaped in a central spot of the town. As such, the cleanliness of environment had been affected.

(c) **Environmental Problems**

Out of the 298 industries which should have obtained environmental licences in terms of the Gazette Notification No.1533/16 of 25 January 2008 issued under the Environmental Act, 262 industries had not obtained their licences. As a result, the Sabha had been deprived of a sum of Rs.1,152,800 due to it. The damages caused to the environment by those factories had not been examined.

(d) **Sustainable Development Target**

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

(a) **Vacancies and Excesses of Employees**

The following observations are made.

- (i) Four vacancies existed in the secondary and primary levels and the total number of excesses were 36.
- (ii) Eleven employees recruited for primary posts had been engaged in office work. A sum of Rs.4,245,992 had been paid as salaries to them from the funds of the Sabha.
- (iii) There were 16 excesses in the primary level. In spite of this, a sum of Rs.3,729,244 had been paid as salaries to 11 persons recruited on casual, temporary and contract basis.

(b) **Employees' Loans**

The total arrears of the loans due from 15 officers amounted to Rs.174,250. Of these, a sum of Rs.62,126 and a sum of Rs.17,925 remained outstanding for 05 years and for over 01 year. Action had not been taken to recover the loan balance of Rs.94,200 due from an officer who had expired in 2014.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) The Sabha should have obtained 10 per cent of the extent of the land whenever the extent of the land exceeds one hectare during the previous years while approving

plans for auctioneering of land in blocks. However, the Sabha had not obtained 02 acres, 01 rood and 33.6 perches. Similarly, it had obtained 03 acres, 1 rood and 27.75 perches less than what it should have obtained from 06 land.

- (b) Electrical equipment worth Rs.436,907 and 621 various types of bulbs valued at Rs.1,354,940 had been issued to the electrician during the year under review. The correctness of the above amount spent could not be ascertained as the number of street lamps maintained during the year were 254.

3.4 Assets Management

3.4.1 Assets not entered in the Register

The information regarding 01 acre and 30 perches had not been entered in a register as required by the Pradeshiya Sabha(Finance and Administration) Rule 217.

3.4.2 Idle / Under utilized Assets

The board of survey for the year 2017 had recommended auctioning of 07 vehicles lying in unusable conditions for over 03 years as at end of the year under review. However, necessary action had not been taken regarding those assets.

3.4.3 Annual Survey of Land

The land and buildings of the Sabha should be surveyed in terms of the Pradeshiya Sabha (Finance and Administration) Rule 218. However, land and buildings valued at Rs.45,209,492 had not been surveyed as at end of the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed that the budget had not been utilized as an efficient instrument of management control as significant variations had been observed between the budgeted and actued revenue and expenditure of the year under review as shown below.

- (a) Adverse variances totalling Rs.5,625,925 in 03 items of revenue ranged from 2.14 per cent to 13.22 per cent.
- (b) Savings in 07 items of expenditure aggregating Rs.9,593,783 were observed which ranged from 6.08 per cent to 52.3 per cent.
- (c) Expenditure amounting to Rs.418,119 had been incurred on one item of expenditure exceeding the approved limit without obtaining any proper approval, whatsoever.

4.2 Internal Audit

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/යභ/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.

4.3 Audit and Management Committees

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

5. Systems and Controls

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