

Matara Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Matara Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Omission of value of 38 items of stores materials of the previous year amounting to Rs.107,477 had not been rectified even during the year under review.	Should be correctly accounted for.	Will be rectified while preparing the final accounts of 2019
(ii) Court fines of Rs.74,838,385 and stamp fees of Rs.32,588,636 receivable for the previous year had not been brought to account	Should be correctly accounted for.	Will be rectified while preparing the Final accounts of 2019.
(iii) The expenditure of Rs.685,989 incurred on construction of latrines at the Kekanadura week end fair during the previous year by utilizing the funds of the Sabha had not been capitalized.	All fixed assets should be brought to account.	Will be rectified while preparing the final accounts of 2019

(iv)	Equipment valued at Rs.348,156 purchased during the year under review had not been capitalized.	Assets should be correctly capitalized	Will be rectified while preparing the final accounts of 2019
(v)	Work creditors as at end of the year under review had been understated by Rs.287,925.	Debtors should be correctly brought to account.	Will be rectified while preparing the final accounts of 2019
(vi)	Over provision had been made for the sum of Rs.563,373 payable for work as at end of the year under review.	Should be correctly brought to account	Will be rectified while preparing the final accounts of 2019
(vii)	Provision had not been made for miscellaneous expenditure of Rs.154,161 payable for the year under review.	Expenditure payable should be correctly brought to account.	Will be rectified while preparing the final accounts of 2019
(viii)	The balances of employees' deposits of Rs.40,057 as at end of the year under review had not been brought to account.	Should be correctly brought to account.	Will be rectified while preparing the final accounts of 2019
(ix)	A cheque for Rs.60,000 received on 17 December of the year under review on behalf of notice boards had been dishonoured. But, adjustments had not been made in the accounts in this connection. This had been shown as an unrealized cheque in the bank reconciliation even by end of the year under review.	Should be correctly brought to account.	Will be rectified while preparing the final accounts of 2019

(b) Contingent Liabilities

Audit Observation

Disclosures had not been made in the financial statements regarding the Case No.SPL 644 instituted in a Court of Law against the Sabha by

Recommendation

Contingent liability should be disclosed in the financial statements.

Comments of the Accounting Officer

Will be noted in the financial statements 2019.

an individual regarding the ownership of the land valued at Rs.2,704,750 where the head office functions.

(c) Unreconciled Control Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting officer -----
Differences aggregating Rs.16,471,961 existed between the balances of 06 items of accounts aggregating Rs.61,975,762 included in the financial statements and the balances appearing in the related subsidiary registers/schedules.	Action should be taken to reconcile the differences in balances concerned and rectify accounts	Action is being taken to rectify balances of 06 items of accounts in the financial statements and the related balances in the subsidiary registers / schedules.

(d) Lack of Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Thirteen items of accounts aggregating Rs.171,453,555 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm balances of accounts shown in the financial statements should be furnished.	Instructed to maintain properly updated registers.

1.4 **Non-compliance**

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) 1988 Pradeshiya Sabha(Finance and Administration) Rules			
(i) Rule 33	A list of defaulters of rates and taxes and a list of distraining orders had not been prepared.	Action should be taken in accordance with the rules	A list of defaulters of rates and taxes and a list of distraining orders are being prepared.
(ii) Rule 143	The refundable deposits ledger had not been monthly totalled and its total adjusted with the main ledger account	Action should be taken in accordance with the rules	The related adjustments would be made in future so as to furnish to audit.
(iii) Rule 193	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a statement showing surpluses and deficits had not been furnished.	Action should be taken in accordance with the rules	Will be prepared and furnished in future
(b) Financial Regulation 237 of the Democratic Socialist Republic of Sri Lanka	Although all schedules relating to paid vouchers should be annexed with the vouchers, such action had not been taken.	Action should be taken in accordance with the Financial Regulation.	Action will be taken to annex all schedules with the vouchers in terms of Financial Regulation 237

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 2018 amounted to Rs.29,052,831 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.36,726,325.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

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	2018				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.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	5,490,330	6,288,696	4,257,985	7,762,653	5,409,360	6,660,213	4,957,467	5,731,942
Rent	2,053,100	2,279,621	2,238,743	399,813	2,143,100	1,670,214	1,701,914	358,935
Licence Fees	1,195,100	3,189,741	3,189,741	--	1,423,920	2,496,940	2,496,940	--
Other Revenue	21,173,700	22,058,212	29,565,277	28,992,935	19,368,500	31,045,213	22,045,213	36,500,000
Total	29,912,230	33,816,270	39,251,746	37,155,401	28,344,880	41,872,580	31,201,534	42,590,877

2.2.2 Performance in collection of Revenue

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The estimated revenue of the year under review amounted to Rs.29,912,230. The arrears at the commencement of the year under review amounting to Rs.42,590,877 and the billings amounting to Rs.33,816,270 resulted in recoverables amounting to Rs.76,407,147. The total recoveries during the year amounted to 39,251,746 and as such the arrears recoverable as at 31 December of the year under review amounted to Rs.37,155,401. The percentage of recovery was 51 per cent.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>Action is being taken to recover arrears of revenue</p>

2.2.3 Rates and Taxes

(a) Rates

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>The arrears of rates at the commencement of the year under review amounting to Rs.5,717,367 and the billings of the year amounting to Rs.5,055,953 and the surcharges had resulted in recoverables amounting to Rs.10,773,320. As the total recoveries during the year amounted to Rs.3,027,075 the balance of arrears as at end of the year amounted to Rs,7,746,245. The total recoveries was 28 percent of the arrears at the commencement and billings.</p>	<p>Recovery of arrears of revenue should be intensified</p>	<p>Action had also been taken to conduct a mobile service on 01 June 2019.</p>

(b) Acreage Tax

Audit Observation	Recommendation	Comments of the Accounting officer
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<p>The arrears of acreage tax at the commencement amounted to Rs.14,575 and the billings of the year (including fees and fines) amounted to Rs.2,888. The total recoveries during the year under review amounted to Rs.1,054 and as such the arrears as at end of the year amounted to Rs.16,409. The total recoveries was 06 per cent of the arrears at the commencement and the billings.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>The revenue committee had informed that investigations should be made to update the addresses and the owners as appearing in the register and information should be corrected.</p>

2.2.4 Revenue from Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>The arrears at the commencement amounting to Rs.358,935 with the billings of Rs.1,382,610 of the year and surcharges ended in recoverables amounting to Rs.1,741,545. The total recoveries during the year amounted to Rs.1,343,908 and as such the balance of arrears as at end of the year amounted to Rs.397,637.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>These are long outstanding arrears. The amount due for the year had been properly received.</p>

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Court fines of Rs.8,992,935 and stamp fees of Rs.20,000,000 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018</p>	<p>Recovery of arrears of revenue should be intensified</p>	<p>Although written and verbal requests had been made to the Chief Secretary and other authorities, the delay continues.</p>

3. Operating Review

3.1 Evaluation of Performance

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) Environmental Problems

Audit Observation	Recommendation	Comments of the Accounting Officer
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Licences are valid for the period specifically mentioned in it and should not exceed 03 years subject to any suspension or cancellation as referred to in Section 23(d) of the National Environmental Act No.47 of 1980. However, 16 business establishments had not renewed their licences although 03 years had elapsed.	Environmental licences should be renewed	Action had not been taken to renew licences although the validity period of 03 years of business establishments had elapsed.

(b) Sustainable Development Target

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.	Programmes to achieve sustainable development objectives and targets should be prepared and implemented.	Attention had been drawn to achieve sustainable objectives and targets through the 04 year programme prepared by the Sabha and a special programme for achievement of same is being prepared.

3.2 Operating Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A field inspection carried out on 29 March 2019 with regard to notice boards exhibited in terms of provision in the Gazette Notification No.2052 of 29 December 2017 revealed that a sum of Rs.2,526,100 had not been recovered on behalf of 34 notice boards exhibited.	Action should be taken in terms of the Gazette Notification	Action had been taken to make recoveries.
(b) A sum of Rs.24,750 had been paid on 18 March 2019 for 30 banners exhibited by a private company. A field inspection carried out on 29 March 2019 revealed that 63 banners had been exhibited in the Kekanadura Yatiyana road itself and a sum of Rs.64,350 remained recoverable. Recovery of fees had not been made for notice boards exhibited by the same firm on other roads.	Fee for all notice boards should be recovered.	Action has been taken to make recoveries.

3.3 Human Resources Management

Vacancies and Excesses in the Cadre

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Action had not been taken even by end of the year under review to fill 09 vacancies in the approved cadre and to regularize 08 excesses.	Vacancies in the cadre should be filled and excesses should be regularized.	Although action had been taken to recruit a heavy machine operator, suitable candidates had not appeared for the interview. As such, action had been taken to issue a gazette notification afresh. Action is being taken to fill the remaining vacancies. The Assistant Commissioner of Local Government had been Informed regarding the officers employed in

excess of the cadre by the letter No.
 ଓଠ/ଅଅଅଅଅଅ/ଅଅ/2/1

3.4 Assets Management

3.4.1 Safety of Assets not Ensured

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The safety of all properties of local authorities should be ensured and action should be taken to survey and demarcate boundaries whenever there are problems as referred to in the letter of instructions of the Southern Commissioner of Local Government by his letter No. ଧଅଅ/15 of 19 March 2007. However, such action had not been taken.	Action should be taken according to the letter of instructions.	Survey of lands belonging to the Sabha is being carried out under the Bim Saviya Programme. The Pradeshiya Sabha is also engaged in surveying lands.
(b) Eleven blocks of land of the Sabha is being used by encroachers	Encroachers should be evacuated.	The Sabha will take action in future.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Savings in 08 objects amounted to Rs.16,432,842, which ranged from 07 per cent to 100 per cent.	Feasible annual budget should be prepared.	The budget had been prepared in association with the relevant parties by considering all revenue and expenditure of past 05 years.
(b) Sixteen per cent aggregating Rs.8,033,187 had not been achieved in respect of an item of revenue.	Feasible annual budget should be prepared.	The budget had been prepared in association with the relevant parties by considering all revenue and expenditure of past 05 years.

4.2 Internal Audit

Audit Observation ----- -----	Recommendation ----- -----	Comments of the Accounting Officer ----- -----
<p>Adequate internal audit had not been carried out in terms of provisions in Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the Circular No. දළපා/යහ/01/න.ව.මළ. 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. Copies of Internal audit had not been furnished for audit.</p>	<p>Action should be taken in terms of the relevant provisions</p>	<p>Action will be taken in future to carry out adequate internal audit and furnish copies of reports for audit.</p>