

Malimbada Pradeshiya Sabha
Matara District.

1. Financial Statements

1.1 Presentation of financial statements

Financial statements of 2019 had been presented for the audit on 28 February 2020. Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Chairman on 08 June 2020 and 17 June 2020 respectively.

1.2 Qualified Opinion

It is my opinion that financial status of Pradeshiya Sabha of Malimbada as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

1.3 Basis for the qualified opinion

(a) Accounting deficiencies

	Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
(i)	Capital aid of Debtor due at the end of the year under review had been over accounted by Rs.151,356.	It should be accounted accurately.	Corrective actions will be taken.
(ii)	Rs.2,629,470 spent for building construction within the year under review had not been capitalized.	It should be capitalized under lands and buildings.	Corrective actions will be taken in future.
(iii)	Value of public market and land of Horagoda had been over capitalized by Rs.1,000,000.	It should be accounted accurately.	Corrective actions will be taken in future.
(iv)	Rs.350,418 due under criteria based development grants at the end of the year under review had not been accounted under industries debtors.	It should be accounted accurately.	Corrective actions will be taken in the year to come.
(v)	Creditor allocation had not been made for capital expenditure of Rs.673,400 due at the end of the year under review.	Allocation should be made.	Corrective actions will be taken in the year to come.

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| (vi) | In the transfer of Rs.11,587,834 into capital account from misc. creditor balance of Rs.13,792,305, Rs.12,443,631 had been credited into misc. creditor account by incorrectly stating the journal 7. As a result balance of that account had been stated less Rs.855,797. | It should be accounted accurately. | Final balance of capital creditor account is correct. |
| (vii) | No allocation had been made in accounts for audit charges in the year under review. | Allocation should be made. | Corrective actions will be taken. |
| (viii) | Stock of water equipment valued Rs.765,002 which was remained at the store at the end of the year under review had not been accounted. | It should be accounted accurately. | Value of this stock of water equipment is included in the value of water projects of Horagoda, Puwakdola and Horaketiya. |

(b) Non - Reconciled accounts

Audit observation	Recommendation	Comments by Accounting Officer
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Difference of total was Rs.1,224,861 between balance of 09 account subject of total Rs.93,681,908 which are included in financial statements and related documents and schedules thereto.	Actions should be taken to compare differences of balances concerned and correct accounts.	Corrective actions will be taken in future.

(c) Unavailability of necessary documentary evidences for the audit

Audit observation	Recommendation	Comments by Accounting Officer
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In the audit it was unable to satisfactorily observe 10 account subjects of which Total Rs.287,756,251 since needy information was not presented.	Evidences by which account balances stated in financial statements are proved should be presented.	Actions will be taken to forward with descriptive schedule in preparation of final account of 2020.

1.4 Non - compliance

Non - compliance with rules, regulations and management decisions

Occasions of Non - compliance to rules, regulations and management decisions are as follows.

	Reference to rules, regulations and management decisions	Non - compliance	Recommendation	Comments made by Accounting Officer
(a)	Pradeshiya Sabha Rules of 1988 (Financial & Admin.) Rule 33	Lists of persons who had neglected payments of assessments and warrant fees of property prohibition had not been prepared.	Should act as per rules.	Corrective actions will be taken in the year 2020.
(b)	Financial Regulations of Democratic Socialist Republic of Sri Lanka			
(i)	F. R.571	Actions had not been taken to dispose deposit balance of Rs.1,114,874 due and expired.	Should act as per financial regulations.	Actions will be taken to settle balances in the year 2020.
(ii)	F. R. 1646	Although Rs.1,745,520 had been spent for fuel and maintenance of 05 vehicles and machineries of the Sabha in the year under review, daily running charts and monthly summaries of such vehicles had not been forwarded to Auditor General.	Should act as per financial regulations	Running charts and monthly summaries concerned will be duly forwarded to the audit in the future.

2. Financial Review

2.1 Financial Result

As per financial statements presented income exceeding recurrent expenditure in the year under review was Rs.7,572,330 and in comparison to it income exceeding recurrent expenditure in the previous year was Rs.13,884,732.

2.2 Income Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

Income source	2019				2018			
	Estimated income	Billed income	Collected income	Total arrears as at 31 st December	Estimated income	Billed income	Collected income	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	2,594,200	1,276,641	1,299,332	84,998	1,569,000	1,184,082	1,209,492	107,689
Rentals	7,026,400	2,597,615	2,722,676	147,275	6,547,600	1,922,145	1,745,537	272,336
Permit fees	566,000	655,309	583,409	87,900	639,500	786,642	787,442	16,000
Other income	27,197,900	21,256,688	21,061,175	49,768,167	24,889,800	21,811,557	11,496,947	49,572,654
Total	37,384,500	25,786,253	25,666,592	50,088,340	33,645,900	25,704,426	15,239,418	49,968,679

2.2.2 Rates and Taxes

Audit observation	Recommendation	Comments by Accounting Officer
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(a) Balance of arrears of rates at the beginning of the year under review was Rs.92,898 and Rs.247,094 was to be recovered with Rs.154,196 being billings of the year. Since total recoveries within the year was Rs.171,287 arrears was Rs.75,807 at the end of the year.	Arrears of assessment should be recovered soon.	Future actions will be taken to hold mobile services and to recover the same.
(b) Balance of arrears of acreage tax at the beginning of the year under review was Rs.14,867 and Rs.19,356 was to be recovered with Rs.4,489 being billings of the year. Since total recoveries within the year was Rs.10,094 arrears was Rs. 9,262 at the end of the year. 50 per cent of initial arrears and 60 per cent of billings had been recovered.	Arrears of acreage tax should be recovered soon.	Future actions will be taken to hold mobile services and to recover the same.

2.2.3 Business tax

Audit observation	Recommendation	Comments by Accounting Officer
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Initial arrears was Rs.16,000 and Rs.671,309 was to be recovered with Rs. 655,309 being billings of the year. Since total recoveries within the year was Rs.583,409 arrears was Rs.87,900 as at 31 st December of the year under review.	Business tax should be recovered soon.	Future actions will be taken to recover arrears.

2.2.4 Other Income

Court fines and stamp fees

Audit observation	Recommendation	Comments by Accounting Officer
Sum of Rs.1,106,257 being court fines and Rs.48,200,867 being stamp fee were to be received from Chief Secretary and other authorities of Provincial council.	Arrears of income should be recovered soon.	Future actions will be taken to fetch arrears.

3. Operating Review

3.1 Performance

As per section 3 of Pradeshiya Sabha Act, the Sabha was expected to perform duties such as regularizing and control of public health, public utilities services and matters pertaining to public roads, well being of people, convenience and welfare. Matters revealed pertaining to performance of such functions are as follows.

(a) Sub statutes

Audit observation	Recommendation	Comments by Accounting Officer
Only 14 out of 30 sub statutes that should have been enacted as per section 139 of Pradeshiya Sabha Act No. 15 of 1987 had been enacted.	Should act in accordance with provisions of the Act and Gazette notification.	Sub statutes from (i) to (xix) have been accepted.

(b) Sustainable development targets

Audit observation	Recommendation	Comments by Accounting Officer
Sabha had not prepared long term plans for the improvement of living standard and health of people living within the Sabha area through global indexes aimed at sustainable	Indexes should be identified to achieve sustainable development goals	It will be carried out under programs to which allocation have been made by annual budget.

development goals and targets in the agenda for sustainable development 2030. and targets and measure progress of achieving annual targets accordingly.

3.2 Management inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
In the physical inspection of the public store done on 27 th January 2020 it was observed a deficit of Rs.23,436 pertaining to 4 items while an excess of Rs.40,411 pertaining to 15 items.	Store maintenance should be duly done.	Corrective actions will be taken.

3.3 Human Resources Management

Audit observation	Recommendation	Comments by Accounting Officer
Actions had not been taken to fill 06 vacancies of approved posts and approve 01 secondary level excessive post.	Vacancies should be filled and excessive posts be regularized.	Actions will be taken in the future.

3.4 Operating inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
(a) Sum of Rs.351,375 had not recovered from 17 notice boards displayed within Sabha area during period from the year 2017 to 2019.	Actions should be taken as per Gazette notification.	Tax payers have been made aware to recover arrears.
(b) It had been unable to recover assessments from due areas because of not taking actions to identify as develop areas and widen areas of assessment as per section 134 (2) of Pradeshiya Sabha Act No. 15 of 1987.	Actions should be taken as per sections of the Act. .	Limit of areas of assessment was not widened due to non availability of consent of the Sabha regarding widening of limits of areas of assessment.

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| (c) | Attention of the Sabha had not paid towards environmental damage caused by 43 firms who have not taken environment protection permits for the year 2019 and Rs.189,200 as environment protection permit fees had not been recovered. | Actions should be taken to issue permits. | Actions are being taken to recover due environment protection permit fees. |
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3.5 Assets Management

3.5.1 Non assurance of protection of assets

Audit observation	Recommendation	Comments by Accounting Officer
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Actions had not been taken to survey and correct boundaries of 03 Sabha lands valued Rs.727,688 as per the letter of instruction No. S.P.P.15 dated 19 March 2007 issued by Southern Provincial Commissioner of Local Government.	Should act as per letter of instructions.	Actions will be taken in future to survey and correct boundaries of lands according to financial status.

3.5.2 Idle / under utilized assets

Audit observation	Recommendation	Comments by Accounting Officer
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(a) Not used 10 allotments of land containing in extent 02 acre 35.11 perches that Sabha had received in sub division for community and entertainment purposes.	Should act as per Gazette notification.	Future actions will be taken to use suitable lands reserved for cultivation.
(b) As at 28 th January 2020, a compact roller of the Sabha valued Rs.7,967,400 existed non functional for a period over 03 years from 12 th March 2017.	Should maintain in functional condition.	Future actions will be taken to repair and get use.

3.6 Contract control

Audit observation	Recommendation	Comments by Accounting Officer
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(a) Due to inability to obtain water from water Water Supply Board for the implementation of water projects of Puwakdola and Moraketiya under Southern Provincial Development Plan in the year 2018, equipments valued Rs.765,002 purchased for that purpose had been stored at the Sabha even by 27 th January 2020.	Project should be implemented soon.	Water Supply & Drainage Board is taking measures to give water supply in the future and water could be supplied for the community by giving remaining equipments in the year 2020.
(b) Although sum of Rs.556,500 had been received under allocation of Southern Provincial Councillors from the year 2017 to 2019 to implement 08 projects, those projects had not been carried out even by 27 th January 2020.	Projects should be carried out.	Project proposal are implemented based on insufficiency of allocation made, amendments of such proposals from time to time and decisions taken at Sabha meetings.
(c) Although allocation of Rs.11,610,000 had been made by budget for implementation of 63 construction projects under 05 projects in the year under review, such projects had not been implemented.	Projects planed by budget should be implemented.	Projects could not be implemented because Sabha members passed other proposals, other emergent proposal had to be implemented on weather conditions, certain jobs proposal in the budget were carried out with other allocation and allocation made were not sufficient.

4. **Accountability and good governance**

4.1 **Internal audit**

Audit observation	Recommendation	Comments by Accounting Officer
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Sufficient internal audit had not been done for the year under review.	Sufficient internal audit should be done.	Internal Auditor has been assigned other subjects.

4.2 **Unsolved audit paragraphs**

Audit observation	Recommendation	Comments by Accounting Officer
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Interlock machine valued Rs.175,644 which had been purchased by Sabha in the year 2012 had been retained at old village council building non functional.	It should be used for productive purpose.	Actions will be taken for auction.