

Malimbada Pradeshiya Sabha
Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 30 July 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Malimbada Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Public sector accounting Standard of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) While it had been revealed at the Board of Survey carried out for the year 2014 that Library books valued at Rs. 30,738 belong to the 03 Libraries of the Sabha were not available, action had not been taken to remove those values from the accounts. Due to that, Assets had been overstated to that extent.

- (b) Accumulated Fund had been debited having credited Debtors through the Journal Entry No.06 before recovery of fines for Business Tax amounting to Rs. 9,790 for which cases had been filed during the year 2014. Due to that, Debtors value had been decreased to that extent.

- (c) Although the License Fees Receivable as at the end of the year under review had been Rs. 32,140 that value had been omitted from the financial statements without being accounted.

1.3.2 Unreconciled Control Accounts

While the value of balances relevant to 05 items of accounts according to financial statements was. Rs. 2,237,095, according to subsidiary registers and information furnished total value of those accounts had been Rs. 2,374,928 indicating a difference of Rs.137,833.

1.3.3 Accounts Receivable and Payable

- (a) Value of Accounts Receivable which had exceeded more than a period of one year as 31 December 2014 was Rs. 51,992.
- (b) Value of Accounts Payable which had exceeded more than a period of one year as 31 December 2014 was Rs. 30,447,298.

(c) Non-settled Accounts

- (i.) Action had not been taken to recover revenue totalling Rs. 1,295,398 that was being brought forward since a period prior to past 18 years.
- (ii.) Action had not been taken to settle creditors totalling Rs. 1,319,780 that was being brought forward since a period prior to past 15 years.

1.3.4 Lack of Evidence for Audit

Board of Survey Reports, Letters of Confirmation of Balances etc. relating to 03 items of accounts valued at Rs. 49,628,662 shown in the financial statements had not been submitted to audit.

1.3.5 Non-compliance with Laws, Rules, and Regulations

A Register for the Computers and Accessories purchased by the Sabha had not been maintained in terms of Treasury Circular No. IAI 2002/02 dated 28 November 2002.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 had been Rs.3,450,103 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.263,252 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates	1,466	799	97
(ii.) Rent	2,074	2,096	252
(iii.) Other Income	31,387	10,579	31,124

2.2.2 Rates

While Rates Billings for the year under review was Rs. 191,906, receipts out of billings had been Rs. 2,089. Accordingly, progress of recovery had been 1 per cent. While value of Rates in arrears as at 01 January 2014 had been Rs. 102,847, receipts in respect of past years as at 31 December 2014 had been Rs. 38,548. Accordingly, progress of recovery had been 37 per cent.

2.2.3 Lease Rent

While Lease Rent balances at the beginning of the year was Rs. 103,984, receipts during the year had been Rs. 12,799 and therefore the progress relating to receipts had been 12 percent.

2.2.4 Court Fines and Stamp Fees

The amounts outstanding to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
i. Court Fines	894,759
ii. Stamp Fees	8,312,510

2.2.5 Land Auctions Tax

- (a) Although a tax equivalent to 1 per cent of the sale proceeds should be recovered from the seller when lands are sold after converting to lots, in terms of Sub Section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, any such recovery had not been made from auction sale of the Natauwatta Land situated in Akurugoda, Sulthanagoda, as at 31 May 2015. Although the Seller Establishment had been informed to pay this amount on 31 July 1992, 19 October 2006, 20 May 2008, 01 July 2008, 19 October 2008 and 23 February 2010, any amount had not been received.
- (b) While Nakandagodawatta Land in Central Park, Malimbada had been converted to 203 lots under sub-portioning 341/2000 dated 21 July 2000; a sum of Rs. 7,757 had been recovered as 1 per cent tax from only 9 lots. One per cent tax had not been recovered from 194 plots.
- (c) Although a case should be filed in a Magistrate Court by the Secretary with the jurisdiction of the area of authority of the Sabha with regard to default in payment of 1 per cent tax in terms of Sub Section 154(1) on the basis of the Sub Section 154 (2) of the Pradeshiya Sabha Act No. 15 of 1987, it had not taken place.

3. Operating Review

3.1 Management Inefficiencies

3.1.1 Central Park Water Scheme

When granting Sabha approval for auction sale of Malimbada, Nakandagodawatta Land named as Central Park under Partitioning Plan No. 341/2000 dated 21 July 2000, the Auctioning Firm had agreed as a condition to provide pipe water. The Auctioning Firm had informed vide letter dated 05 July 2000 that there are adequate facilities in this land to provide drinking water, that there is a well 22 feet long 18 feet wide and 25 feet deep and that water collecting tank has been constructed to a length of 18 feet, 18 feet width and to a height of 16 feet.

In spite of that position, an estimate of Rs. 427,450 had been prepared for improvement of Central Park Water Scheme Stage 1 Development Project under Pradeshiya Sabha Strengthening National Program as a Budget Proposal for 2014 and a sum of Rs. 341,619 had been spent on direct labor basis for materials and labor.

Following matters were observed.

- (a) In spite of the fact that the Auctioning Firm had fulfilled as a condition to supply drinking water in developing this land called Central Park, construction of a water tank out of Sabha Fund is observed as an improper transaction.
- (b) While a plan or measurement details relating to the estimate for the water storage tank approved by the Finance Committee on 11 July 2014 had not been prepared, measurement reports too had not been prepared to support that the water tank was constructed out the money spent for materials purchased and the direct labor.

3.1.2 Board of Survey

While the Board of Survey Report relevant to the year 2014 had been approved by the Sabha on 16 January 2015, action had not been take with regard to the recommendations of the report.

3.1.3 Cab Vehicle No. PF-7353

- (a) Although 200 liters of fuel valued at Rs. 22,200 had been issued during the year 2014 for the Cab Vehicle received to the Sabha in December 2014, the daily running charts relevant to that period were not presented to audit.
- (b) Although, the daily running charts relevant to this vehicle were not presented, a salary of Rs.32,062 had been paid to a driver having recruited as a substitute.

3.1.4 Improper Transactions

Although Fuel Allowances to Members are paid only for works connected to the Sabha in the area of authority of the Sabha as per rules mentioned in the Extra Ordinary Gazette Notification No. 1807/2 dated 22 April 2013 of the Southern Province Chief Minister, a sum of Rs. 18,000 had been paid to a Member for 1156 kilo meters travelled during the year 2014 for journeys travelled outside the area of authority of the Sabha not connected with the Sabha work. Accordingly it is observed that payment of Members Travelling Allowance had been made for works not falling in line with the intended objectives.

3.2 Human Resources Management

Information relating to the approved and actual Cadre of the Sabha as at 31 December 2014 is shown below.

Category of Employees	Approved	Actual	Vacant	Excess
-----	-----	-----	-----	-----
Tertiary	01	02	-	01
Secondary	17	16	01	-
Preliminary	21	20	01	-
Others (Casual, Temporary, Contract)	-	16	-	-
	-----	-----	-----	-----
	39	54	02	01
	=====	=====	=====	=====

While a sum of Rs.12,123,207 had been reimbursed from the Commissioner of Local Government during the year under review for Staff Salaries and Members' Allowances. A sum of Rs.14,565,895 had been paid as Salaries and Allowances causing as additional financial burden to the Sabha Fund.

4. Accountability and Good Governance

4.1 Budgetary Control

The Budget of the Sabha had not been made use of as a tool of financial management as material variations were observed between budgeted revenue and expenditure and the actual revenue and expenditure.

4.2 Internal Audit

An adequate internal audit had not been done in the Sabha.

4.3 Audit and Management Committees

Audit and management Committees had not been established for the year under review.

5. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Financial Control
- (d.) Revenue Administration
- (e.) Assets Management