

Malimbada Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 02 April 2013 and the financial statements for the preceding year had been presented to audit on 03 May 2012. The Report of the Auditor General for the year under review was furnished to the Chairman of the Sabha on 09 September 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Malimbada Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report forwarded to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Malimbada Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Revenue totaling Rs.72,236,488 and expenditure totaling Rs.77,193,241 had been omitted in the trial balance prepared as at the end of the year under review.
- (b) The value of the garbage transport tractor No.SPRD 1588 amounting to Rs.1,479,000 received on 23 October 2012 as a donation from the Pilisara Project of the Central Environmental Authority had been omitted in the accounts.
- (c) The inter – locking blocks production machine purchased in the year under review for Rs.175,644 from a private institution had not been brought to account under fixed assets

(d) According to the financial statements the value of outstanding Other Revenue amounted to Rs.49,999,237 whereas according to the ledger, the value amounted to Rs.72,783,319, thus indicating a difference of Rs.22,784,082.

1.3.2 Unsettled Accounts

(a) Action had not been taken for the settlement of Creditors balances amounting to Rs.1,116,559 and debtors balances amounting to Rs.1,184,540 existing over a number of years.

(b) The values of the accounts receivable and the balances of accounts payable older than one year as at 31 December 2012 amounted to Rs.66,399 and Rs.47,271,801 respectively.

1.3.3 Lack of Evidence for Audit

Transactions valued at Rs.134,560,960 could not be satisfactorily vouched in audit due to non-submissions of the required evidence to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2012 amounted to Rs.598,225 as compared with the corresponding excess revenue over recurrent expenditure of the preceding year amounting to Rs.797,709.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue relating to the year under review and the preceding year presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	754	546	106
(ii.) Lease Rents	1,749	1,834	91
(iii.) Licence Fees	379	410	50
(iv.) Other Revenue	18,697	7,302	49,999

2.2.2 Rates and Taxes

The arrears of rates and taxes revenue as at the end of the year under review amounted to Rs.280,070. The outstanding taxes had increased annually since the year 2006 and the Secretary of the Sabha had not taken action in terms of Section 158(1) of the Pradeshiya Sabha Act, No.15 of 1987 for the recovery of the outstanding taxes.

2.2.3 Other Revenue

Action had not been taken for the recovery of the outstanding sum of Rs.91,106 relating to the Public Market of the Sabha and 04 meal-stall holders in respect of the period from the year 1999 to the year 2009.

2.2.4 Court Fines and Stamps Fees

The amounts receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 are given below.

(i) Court Fines	Rs.133,333
(ii) Stamp Fees	Rs.881,308

2.3 Operating Inefficiencies

2.3.1 Even though complaints relating to 51 unauthorized constructions in the area of authority of the Sabha had been received, the Sabha had not made by-laws under the provision in Sections 126(vii)(e) and (g) and 126(ix)(e) of the Pradeshiya Sabha Act, No.15 of 1987.

2.3.2 Even though a sum of Rs.211,949 comprising Rs.175,644 for the purchase of an interlocking blocks production machine on 16 January 2012, a sum of Rs.19,905 for the purchase of accessories for the supply of electricity and Rs.16,400 for the construction of water tanks, had been spent in the year under review, those had been idling without being used even up to 27 May 2013, the date of audit.

The expenditure under this Project had not been brought to account under the capital objects and the targeted revenue of Rs.850,500 had been deprived of due to the non-implementation of the Project.

2.3.3 A Corporate Plan at least for a period of 03 years from the year 2010 had not been prepared in terms of the letter No.PF./2/2/3/5/(4) dated 10 March 2010 of the Director General of Public Finance had not been prepared.

2.3.4 The Sabha had not prepared an Action Plan for a achievement of the activities included in the Corporate Plan.

2.4 Maintenance of Street Lamps

The following observations are made.

(a) Even though the approved number of street lamps in the area of authority had been 91 a sum of Rs.354,975 had been spent in the year under review for the street lamps and equipment, salaries of the person maintaining 1,014 street lamps, etc.

(b) An agreement had not been entered into with the Ceylon Electricity Board for the maintenance of street lamps in the year under review and the sum of Rs.29,158 for the maintenance of street lamps recoverable from that Board had not been recovered even by 26 May 2013.

(c) The maintenance of the street lamps within area of authority of the Sabha had not been done in accordance with paragraph 1.4 of the Circular Letter No.PE/01/01 dated 17 August 2010 of the Secretary to the Ministry of Power and Energy. Even though the consumption of the street lamps should be limited to 3 per cent of the household

consumption and the general purpose retail consumption in the area in the installation of street lamps, the Sabha had not paid attending to that aspect.

2.5 **Solid Waste Management**

A sum of Rs.145,100 had been spent for the purchase of 50 compost barrels for the production of household compost in the year 2012 and 15 barrels valued at Rs.42,000 had been stacked in the Sabha premises even by May 2013 without being distributed. Follow up action had not been taken to ensure whether compost production is being done by using the barrels distributed.

2.6 **Human Resources Management**

(a) **Approved Cadre**

The information on the approved and actual cadre of the Sabha as at 31 December 2012 had been as follows.

<u>Category of Employees</u>	<u>Approved</u>	<u>Actual</u>
Executive Grades	01	01
Secondary Grades	11	12
Tertiary Grades	09	09
Others (Casual/Temporary)	04	17
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	25	39
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(b) A sum of Rs.6,213,000 had been reimbursed by the Commissioner of Local Government as the salaries of staff and the Members' allowances. The expenditure on salaries for the year amounted to Rs.9,162,579, thus resulting in an additional expenditure of Rs.2,949,574 for the Sabha Fund.

(d) According to the Management Services Circulars No.14 of 03 January 2002 and No.28 of 10 April 2006, the recruitment of casual substitute and contract employees by Local Authorities had been suspended. Nevertheless, contrary to that provisions, 08 employees had been recruited and salaries amounting to Rs.1,186,041 had been paid from the Sabha Fund during the year under review as their salaries of it had been further emphasized in the Circular that if action surpassing the circular instructions are taken, the Head of the Institution is personally responsible thereto.

3. Systems and Controls

The special attention of the Sabha is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management