

Matara 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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 26 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 10 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 Matara Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a) A sum of Rs. 3,473,612 spent for the purchase of Fixed Assets and construction works during the year under review by the Sabha had not been credited to the Contribution from Revenue to Capital Outlay Account having debited the relevant accounts.

- (b) Although the Accumulated Fund should be debited after crediting the Cash Book during the year under review, in order to correct the non-recording the transfer of Rs. 600,000 to the General Account for Works during the year 2012, it had been debited to the Capital Expenditure Head 309 by overstating the capital expenditure by that amount.

- (c) While the quantity of CFL Lamps as at 31 December 2014 had been 41 according to the Electrical Equipment Stores Register, according to the stocks schedule furnished together with the financial statements it was 71. Accordingly, the value of 30 lamps overstated was Rs. 14,850.

1.3.2 Unreconciled Control Accounts

While the total of balances relevant to 03 items of accounts according to the financial statements presented as at the end of the year under review was Rs. 29,327,169, according to the relevant schedules the total of those balances had been Rs. 9,041,301. Accordingly the deference was Rs.20,285,868.

1.3.3 Accounts Receivable and Payable

Following matters are observed.

- (a) The value of Accounts Receivable as at 31 December 2014 which had elapsed more than a year was Rs. 46,127,283.
- (b) The value of Accounts Payable as at 31 December 2014 which had elapsed more than a year was Rs. 24,600,025.

1.3.4 Non-settled Accounts Balances

Ten Account Balances amounting to Rs. 25,194,739 which were being brought forward from past years had been shown in the financial statements without being settled even during the year under review.

1.3.5 Lack of Evidence for Audit

Board of Survey Reports, Investment Registers, Certificates of Fixed Deposits, Certificates of Confirmation of Balances and Schedules relevant to 13 items of accounts valued at Rs.175,134,043 shown in the financial statements had not been submitted to audit.

1.3.6 Non-compliance with Laws, Rules, and Regulations

Following instances of non-compliance with Laws, Rules, and Regulations etc. were observed in audit.

<u>Reference to Laws, Rules, and Regulations</u>	<u>Non-compliance</u>
(a.) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 Rule 193	Actual expenditure under Items of Expenditure had not been compared with the Budget and the Supplementary Budgets and statement showing reasons relating to surpluses and deficits had not been furnished.
(b.) Treasury Circular No. IAI/2002/02 Date 28 November 2002 of the January	Fixed assets Register relating to Computer Accessories and Software had not been maintained.

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 amounted to Rs.12,009,842 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,421,332.

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
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	521	324	873
(ii.) Lease Rent	2,480	1,345	385
(iii.) Licence Fees	1,090	1,418	29
(iv.) Other Income	59,292	49,184	34,246

2.2.2 Rates

While the value of Rates in Arrears as at 01 January 2014 was Rs. 818,000, billings including surcharges during the year amounted to 325,843. Progress of recovery percentage had been 24 per cent as the recoveries during the year amounted to Rs. 283,284. While the value of arrears as at 31 December 2014 had been 862,469, indicating an annual increase. Accordingly, it was observed that the Secretary of the Sabha, who is the authorized officer for revenue recovery in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not paid attention for the recovery of revenue.

2.2.3 Acreage Tax

While the value of Acreage Tax in Arrears as at 01 January 2014 was Rs. 12,419, a sum of Rs. 15,699 was due to be recovered together with billings. Progress of recovery percentage had been 32 per cent, as only a sum of Rs. 5,004 had been recovered during the year under review.

2.2.4 Rent Revenue

While the value of Rent in Arrears as at 01 January 2014 was Rs. 393,262, a sum of Rs.1,447,231 was due to be recovered together with billings during the year amounting to Rs.1,053,769. Progress of recovery percentage had been 68 per cent as the recoveries during the year amounted to Rs. 982,050.

2.2.5 Sub-partition Charges of Lands

Although the Land named Wewa Ihalagoda Polambehenawatta had been partitioned to 7 blocks on the basis of partition plan No. 898 dated 27 June 2011, that plan had not been approved by the Sabha. Accordingly a sum of Rs. 5,250 for un-authorized sub-partition in terms of Gazette Notification No. 1597/8 dated 17 April 2009 of the Urban Development Authority and a sum of Rs.18,650 as 1 per cent Land Sales Tax had not been recovered.

2.2.6 Land Sales Tax

Although 1 per cent tax from cost of sales of lands should be recovered from the Land Sellers in terms of Section 154 of the Pradeshiya Sabha Act No. 15 of 1987, that tax had not been recovered from 397 blocks of land relating to 17 lands sold in auction in the area of authority of the Sabha.

2.2.7 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	1,016,900
ii. Stamp Fees	20,000,000

3. Operating Review

3.1 Operational Inefficiencies

3.1.1 Fixed Assets Survey

While a Board of Survey had been appointed and survey of Fixed Assets belong to the Sabha had been carried out as per decision 06.7 (1) dated 22 August 2014, it had been decided to implement 11 recommendations in that report. However, following recommendations had not been implemented even as at 15 May 2015.

- (i.) Taking legal action with regard to un-authorized occupants in Sabha Properties.
- (ii.) Surveying and making boundaries of the Sabha Properties and fixing name boards.
- (iii.) Preparation of deeds of the Sabha Properties.
- (iv.) Updating Fixed Assets Register of the Sabha.
- (v.) Deployment of barren lands of the Sabha for a productive activity.

Following matters were observed with regard to the assets.

- (i.) A Deed or a Survey Plan was not available with regard to the land in extent or 25 perches where the Head Office of the Sabha is situated.
- (ii.) It had not been possible to physically trace the plot of land at Irukmandiya-Plan No 270, in extent of 2 Perches, behind Navimana North Community Centre.
- (iii.) It had not been possible to physically trace the land where the public well is situated in Makavita, Dirachchiyawatta.
- (iv.) The Land bearing Plot No. 50 in extent of 8.05 Perches in Survey Plan No. 65/2008 of Talpawila-North, Montalixwatta, 05 Plots bearing No. 40, 41, 42, 43 and 44 in extent of 62.72 Perches each received vide Deed No. 10750 of Survey Plan No. 59/2006 of Charleswatta (Winston Park) and 05 blocks of land bearing Nos. 07, 08, 09, 10 and 29 in extent of 66.14 Perches each received for common activities vide Survey Plan No. 37A/2010 of Charles Wickwatta were not possible to trace physically.

3.2 Contracts Administration

Following matters are observed.

- (a) Following matters are observed with regard to payment of a sum totalling Rs. 557,294 on 26 March 2014, on the agreement signed for Rs. 124,445 on 30 January 2014 for stage one and the agreement signed for Rs.441,734 on 24 February 2014 for stage two with the Rassandeniya Farmers Society in connection with expansion of inside of Head office of the Matara Pradeshiya Sabha.
- (i.) The Budget presented to the Sabha for the year 2014 had not been sanctioned at the special general meeting of the Sabha dated 13 December 2013. Therefore the Budget had been approved vide letter dated 06 January 2014 of the Matara Assistant Commissioner of Local Government as per order given in the Gazette No. 1843/35 dated 02 January 2014. While provision had not been made for extension of inside of the Head Office in that Budget, action had not taken place according to Section 174(iv) of the Pradeshiya Sabha Act No. 15 of 1987.
- (ii.) Lapses such as non-maintenance of an Estimate Ledger, and Measurement Book Rule 171 of Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988, failure to take action in terms of Rule 177 with regard to the contract, assignment of performance of work to the agreed Farmers Society without following required procedure in calling for limited tenders in terms of Rule 178(3)(1), failure to obtain a certificate of competence of the agreed Farmers Society were observed.
- (iii.) Although it had been had been informed vide Circular No. 7/4/2000 dated 13 July 2000 of the Secretary to the Ministry of Provincial Councils and Local Government that law should be enforced by the Commissioner of Local Government or by the Deputy Commissioner of Local Government In the instances of non-compliance with rule 177, it had not taken place.

(b) Payments for the Purchase of Materials and Equipment to up-keep Assembly Hall as a Separate Section

It had been decided vide General Sabha Decision dated 21 November 2014 to accept the estimate for Rs. 415,270 to up-keep Assembly Hall as a Separate Section, to carry out the work on direct labor basis, to obtain financial provisions under 2014 budget proposals and to make payment for direct labor on the basis of rates approved by the District Price Committee. Accordingly a totaled sum of Rs. 540,915 had been paid as a payment of Rs. 423,915 to a company for the purchase of material and equipment on 29 December 2014 and as a payment of Rs. 117,000 to 5 employees on 27 January 2015.

Following observations are made in this connection.

- (i.) The Budget presented to the Sabha for the year 2014 had not been sanctioned at the special general meeting of the Sabha dated 13 December 2013. Provision for this work too had not been made in the Budget approved vide letter dated 06 January 2014 of the Matara Assistant Commissioner of Local Government as per order given in the Gazette No.1843/35 dated 02 January 2014.
- (ii.) While the Estimate of Rs. 415,270 mentioned in Sabha decision did not contain work details and measurement sheets, there was no plan relevant to the work.
- (iii.) Goods and Equipment purchased valued at Rs. 158,932 of 32 categories had been left without being used.
- (iv.) Although an estimate of Rs. 415,270 had been approved for the assembly hall as per the decision of the sabha dated 21 November 2014, a sum of Rs.540,915 had been spent exceeding that amount.

3.3 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	01	-	-
Secondary	30	27	03	-
Primary	58	51	07	-
Other (Casual/Temporary/ Contract basis)	-	02	-	02
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	89	81	10	02
	=====	=====	=====	=====

While a sum of Rs. 19,494,800 had been reimbursed as Staff Salaries and Members Allowance from the Commissioner of Local Government during the year under review, a sum of Rs. 5,367,154 had been spent out of the Sabha Fund.

4. Accountability and Good Governance

4.1 Budgetary Control

- (a) As the Budget for the year 2014 presented had not been approved at the General Sabha Meeting dated 13 December 2013, the Budget had been approved vide Gazette No. 1843/35 dated 02 January 2014 of the Minister in Charge of the subject of Local Government and the letter dated 06 January 2014 of the Assistant Commissioner of Local Government.
- (b) Information such as the map of the area of authority, organization chart, graphs comparing Revenue and Expenditure and Assets and Liabilities of the Sabha had not been included in the Budget. Making aware of the Budget before preparation, obtaining ideas and proposals from Voluntary Organizations, Welfare Societies,

Government and Non-governmental Organizations in the area of authority had not been taken place.

- (c) While a list of Works targeted to be achieved through Decentralized, Provincial Criteria, Provincial Council Criteria Based, Gama Neguma, Maga Neguma and Sabha Funds had not been given in the Capital Expenditure Summary in the Budget, a sum of Rs. 14,766,650 had been spent for 33 construction works not so mentioned in the Budget.
- (d) The Budget had not been made use of as an effective tool of financial management as material variances were observed with regard to revenue and expenditure in the Budget presented for the year under review.

4.2 Reports of the Monthly Sabha Meetings

Although payments exceeding Rs. 5,000 cannot be made without prior approval of the Sabha in terms of Pradeshiya Sabha (Financial and Administrative) Rule 177 established vide Gazette No.554/5 dated 17 April 1989, authority for making payments exceeding those limits had been vested in the Chairman through a Sabha decision dated 22.04.2014.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Fixed Assets
- (c.) Revenue Control
- (d.) Stores Administration
- (e.) Budgetary Control