

Pasgoda 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 10 April 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 31 August 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 Pasgoda 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 matters are observed.

- (a) A sum of Rs. 4,000,000 received under Pradeshiya Sabha Strengthening Programme for the year 2014 had not been credited to the revenue for the year under review.
- (b) A sum of Rs. 2,414,084 being Repairs and Maintenance Expenses incurred in October, November and December months of the year 2014, under Pradeshiya Sabha Strengthening Programme for the year 2014 had not been debited to the expenditure for the year under review.
- (c) Value of Computers and Accessories received as donations to the Pradeshiya Sabha during the year 2014 under Pura Neguma Project had not been assessed and capitalized under Non-current Assets.

- (d) Loan Installments amounting to Rs. 491,200 deducted for Motor Cycle Loans by the Southern Province Commissioner of Local Government when making reimbursement of Members Allowance of the Pradeshiya Sabha during the year 2014 had not been shown under Revenue Grants as well as Expenditure on Salaries and Allowance relevant to the year 2014.
- (e) Interest Payment amounting to Rs. 11,475 relevant to the month of December 2013 for loan obtained from the Local Loans and Development Fund for development of weekly fair had been debited to the expenditure on Interest Payments and Dividends of Program 5 of the year under review.

1.3.2 Unreconciled Control Accounts

While the total of balances relevant to 04 items of accounts according to financial statements was Rs. 22,977,490, according to subsidiary registers / schedules total of those accounts had been Rs. 22,785,808 indicating a difference of Rs. 191,682.

1.3.3 Accounts Receivable and Payable

Following matters are observed.

- (a) Value of Accounts Receivable balances which had elapsed a period of more than a year as at 31 December 2014 was Rs. 3,000,000.
- (b) Value of Accounts Payable balances which had elapsed a period of more than a year as at 31 December 2014 was Rs. 5,448,016.
- (c) The total of Deposits not settled for more than two years as at 31 December 2014 was Rs. 609,307.

1.3.4 Lack of Evidence for Audit

Fixed Assets Register, Board of Survey Reports, Schedules, Subsidiary Registers etc. relevant to 06 items of accounts valued at Rs. 25,306,463 shown in the financial statements were not submitted to audit.

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.6,337,604 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.4,392,426 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

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

Items of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and Acreage Tax	978	1,217	317
Rent	5,411	6,273	826
License Fees	245	281	-
Other Revenue	475,144	42,175	25,182

2.2.2 Acreage Tax

While the value of Acreage Tax balance in arrears as at 01 January 2014 was Rs. 187,212, the amount billed for the year had been Rs. 20,033. While a sum of Rs.17,033 relevant to the amount billed for the year had been received, out of the Acreage Tax in arrears relevant to preceding years a sum of Rs. 9,380 had been received. Accordingly, the progress of recovery relating to Acreage Tax in arrears relevant to the preceding years had been a petty value such as 5 percent. Out of the outstanding sum of Rs. 180,831 as at the end of the year under review, the total value of balances exceeding Rs. 3,000 and outstanding for more than five years was Rs. 41,475.

2.2.3 Lease Rent

While Lease Rent of the Fair in arrears as at 01 January 2014 was Rs. 213,617, out of that balance in arrears, receipts during the year had been Rs. 76,755. Accordingly, Lease Rent of the Fair in arrears relevant to the preceding year as at 31 December 2014 was Rs.136,862. Progress in recovery of arrears during the year had been about 35 percent.

2.2.4 Street Lamps Grants

Street Lamps Grants to be received as at the 01 January 2014 was Rs. 178,396. While a sum of Rs. 41,472 had been billed for the year under review; a sum of Rs. 1,800 had been received out of that during the year. While amounts in arrears had not been recovered during the year, Street Lamps Grants in arrears as at 31 December 2014 had been Rs.217,728.

2.2.5 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.
Court Fines	561,717
Stamp Fees	2,168,846

3. Operating Review

3.1 Management Inefficiencies

3.1.1 Reimbursement of Loan Interest

While the Property Loan Interest balance not reimbursed as at 01 January 2014 was Rs.178,596, the balance as at 31 December 2014 had been Rs. 65,490.

3.1.2 Staff Loans

While installments relevant to Staff Loans granted to 9 employees had remained unrecovered for more than a period of 5 years, that loan balance as 31 December 2014 was Rs.29,603.

3.2 Human Resources Management

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

<u>Category of Employees</u>	<u>Approved</u>	<u>Actual</u>	<u>Vacancies</u>	<u>Excess</u>
Executive	01	01	-	-
Tertiary	01	02	-	01
Secondary	19	18	01	-
Primary	30	25	05	-
Other (casual,temporary,contract basis)	-	09	-	09
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	51	55	06	10
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Following observations are made.

- (a) While a sum of Rs. 11,871,494 had been reimbursed from the Commissioner of Local Government for Staff Salaries and Allowances, expenditure during the year that had been Rs. 16,597,635. Accordingly, a sum of Rs. 4,726,141 had been a burden to the Sabha Fund for payment of staff salaries and allowances.
- (b) Although it had been informed vide Management Services Circular No.14 dated 03 January 2002 of the Secretary to the Treasury and Circular No. 28 dated 10 April 2006 of the Secretary to the Ministry of Finance and Planning that recruitments in Local Authorities on the basis of temporary, casual substitute or other basis should be suspended immediately, it was observed that the Pasgoda Pradeshiya Sabha had paid salaries amounting to Rs. 2,597,829 out of the Sabha Fund having recruited 09 employees during the year 2014.

4. Accountability and Good Governance

4.1 Audit and Management Committees

Sabha had not established Audit and Management Committees.

4.2 Budgetary Control

When estimated revenue and expenditure according to the Budget presented for the year under review is compared with actual revenue and expenditure, it was observed that the Budget had not been made use of as an effective tool of financial management.

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.) Revenue Administration
- (d.) Assets Management
- (e.) Expenditure Control
- (f.) Stores Administration
- (g.) Human Resources Management