

Pitabeddara 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 May 2014 and the financial statements for the preceding year had been presented on 01 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 29 December 2014.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Pitabeddara Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

- (a) According to Circular No. PED/54 of 19 January 2010 of the Director General of Public Enterprises, the Local Authorities should prepare financial statements in accordance with the Sri Lanka Public Sector Accounting Standards from 01 January 2011. Nevertheless, those Standards had not been followed.
- (b) The cash flow statement had not been presented along with the financial statements of the year under review.

1.3.2 Accounting Policies

Accounting policies followed in the preparation of those accounts had not been disclosed in the financial statements presented for the year under review.

1.3.3 Accounting Deficiencies

The following matters are observed.

- (a) Furniture and office equipment valued at Rs.97,660 purchased in the year under review had not been capitalized.
- (b) Even though a sum of Rs.22,500 obtained as an advance in renting out the road roller and backhoe belonging to the Sabha should be credited to the relevant Revenue Head in the year under review, that had been credited to the Deposit Account.
- (c) Supplies and equipment valued at Rs.3,176,922 had been purchased in the year under review and at the time of issue of those materials and equipment, the relevant Objects should be debited through Issue Orders and brought to account by an expenditure analysis. However, without doing so, purchases had been added to the opening stock and the value after deducting the closing stock had been debited to the Income and Expenditure Account as expenditure of the year.

1.3.4 Unreconciled Control Accounts

The following matters are observed.

- (a) According to the financial statements relating to 11 items of accounts, the total of the balances had been Rs.37,229,841 and according to the supporting documents / schedules, the total of the balances of accounts had been Rs.30,539,889, thus indicating a difference of Rs.6,759,952.
- (b) A difference of Rs.204,149 relating to 6 works had been observed between the Register of Works Debtors and the schedule presented as at 31 December 2013.

1.3.5 Accounts Receivable and Payable

The following matters are observed.

- (a) The total of the balances of accounts receivable for over 01 year as at 31 December 2013 amounted to Rs.1,555,015.
- (b) The total of the balance of accounts payable for over 01 year as at 31 December 2013 amounted to Rs.13,650,050.

1.3.6 Lack of Evidence for Audit

Evidence in respect of 04 items of accounts valued at Rs.6,120,260 had not been made available to audit.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with following laws, rules and regulations observed in audit are given below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Pradeshiya Sabha (Finance and Administration) Rules -1988 ----- Rule 218	----- Even though the Chairman should take action to verify lands and buildings once in every year, action had not been taken accordingly.
(b) Treasury Circular No. 2002/02 of 28 November 2002	A Register of Fixed Assets on computer accessories and software had not been maintained.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.5,470,127 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.3,404,174 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman is given below.

Items of Revenue	Estimated	Actual	cumulative arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	1,041	1,051	203
Rents	4,593	3,062	1,016
License Fees	321	372	70
Other Revenue	18,830	23,698	10,810

2.2.2 Rates

Even though 04 Grama Niladhari Divisions belonging to the area of the authority of the Sabha had been declared as developed areas in terms of the Urban Development Authority Act by the Gazette Extraordinary No. 1641/41 of 08 February 2010, future action had not been taken by the Pradeshiya Sabha to recover rates of those areas. As such, the Pradeshiya Sabha had been deprived of an income from rates and taxes from February 2010 to 31 December 2013, that is for a period of 04 years.

2.2.3 Acreage Tax

The arrears of acreage tax as at 01 January 2013 amounted to Rs.193,444 and the billing for the year including overcharges amounted to Rs.30,303. A sum of Rs.7,592 of the billed amount and a sum of Rs.12,415 of the arrears had been recovered in the year under review and the progress of recovery had taken a trivial value of 25 per cent and 6 per cent.

2.2.4 Business Taxes and Licence Fees

Action had not been taken to recover the arrears of trade licence fees amounting to Rs.70,522 being brought forward for several preceding years.

2.2.5 Water Charges

Out of the outstanding water charges amounting to Rs.1,186,827 as at 01 January 2013, a sum of Rs.501,259 had been recovered in the year under review and the percentage of recovery had been 42 per cent.

2.2.6 Court Fines and Stamp Fees

Court Fines and Stamp Fees amounting to Rs.9,590,429 receivable as at the end of the year under review from the Chief Secretary of the Provincial Council and other authorities are shown below.

	<u>Rs.</u>
(i) Court Fines	2,738,612
(ii) Stamp Fees	6,851,817

	9,590,429
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3. Operating Review

3.1 Management Inefficiencies

The difference between the interest rate of the banks for property loans and interest rate of 4.2 per cent recovered from the officer should be reimbursed by the Government in terms of paragraph 11.5 of the Public Administration Circular No.08/2005 dated 31 March 2005. However, a sum of Rs.237,517 had not been reimbursed as at 31 December 2013.

3.2 Transactions without Authority

If any expenditure exceeding a total of Rs.1,000 is incurred by the Sabha Fund for any religious or cultural, health, scientific or educational activity with a community importance, the prior approval in writing of the relevant Minister should be obtained thereon in terms of Section 132 (a) of the Pradeshiya Sabha Act, No. 15 of 1987. However, a sum of Rs.192,194 had been incurred during the year 2013 without obtaining such an approval.

3.3 Operating Inefficiencies

The following matters are observed.

- (a) Eleven employees recruited on casual, substitute, contract and any other basis had been confirmed in November 2013 with effect from 01 January 2013. Even though the Employees' Provident Contribution of Rs.139,320 paid by the Sabha Fund for those employees in the year 2013 should be recovered to the Sabha Fund, that amount had not been recovered even by 30 October 2014.
- (b) Even though a sum of Rs.101,580 comprising a sum of Rs.71,280 for purchasing street lamps equipment and a sum of Rs.30,300 for the street lamps operator had been paid in the year 2013, the Electricity Board had not reimbursed any amount in the year 2013. As such, the total amount had been an expenditure to the Sabha Fund.
- (c) Even though transfer of money from Bank Current Accounts had been made in the year under review, the unsettled amount as at 31 December 2013 amounted to Rs.1,229,275.

3.4 Human Resources Management

Particulars on the cadre of the Sabha as at 31 December 2013 are given below.

Category of Employees	Approved	Actual	Vacancies	Excess
-----	-----	-----	-----	-----
Executive	01	01	-	-
Tertiary	01	02	-	01
Secondary	22	19	03	-
Primary	29	26	03	-
Other (Casual, Temporary, Contract basis)	-	05	-	05
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	53	53	06	06
	=====	=====	=====	=====

A sum of Rs.10,144,900 had been reimbursed by the Commissioner of Local Government as salaries of the staff and the members allowances (with recoveries of loan installments of motor cycles) in the year under review and the expenditure on salaries and allowances of the staff for the year amounted to Rs.13,041,689, thus resulting in an additional expenditure of Rs.2,896,785 for the Sabha Fund in the year under review.

4. Accountability and Good Governance

4.1 Action Plan

The Sabha had not prepared an Action Plan.

4.2 Internal Audit

An adequate internal audit had not been carried out in the Sabha.

4.3 Audit and Management Committees

The Sabha had not established Audit and Management Committees.

4.4 Procurement Plan

A Procurement Plan had not been prepared for the year under review by the Sabha in terms of 42(b) of Circular No. ජී.ප්‍ර.නි./ප්‍ර.වි.නි./18 of 25 January 2006.

4.5 Budgetary Control

The budget presented for the year under review had not been made use of as an effective instrument of financial control.

3. 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) Human Resources Management