

## 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 the Audit on 04 April 2016 and the financial statements for the preceding year had been presented to the Audit on 31 March 2015. The Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 03 January 2017.

##### 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 2015 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

##### 1.3 Comments on Financial Statements

###### 1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The value of the Backhoe Loader received as a donation in the year under review amounting to Rs.17,649,179 had not been brought to account whilst the value of two motor vehicles had been understated by a sum of Rs.2,791,000 in the financial statements.
- (b) The sum of Rs.797,153 receivable in respect of the year under review for the development of roads under the Provincial Specific Development Grants had not been brought to account.
- (c) The security deposit of Rs.16,500 made by the Sabha in the Ceylon Electricity Board had not been shown in the financial statements.

###### 1.3.2 Unreconciled Control Accounts

Differences totaling Rs.4,457,519 were observed between the balances of 11 items of account totalling Rs.108,530,673 shown in the financial statements and the balances appearing in the subsidiary registers / schedules relating thereto.

###### 1.3.3 Suspense Account

Steps had not been taken even during the year under review for the settlement of the debit balance of Rs.4,392 in the Suspense Account brought forward from the preceding years.

#### 1.3.4 Accounts Receivable and Payable

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Action had not been taken for the settlement of 161 balances totalling Rs.1,180,115 older than 03 years included in the arrears balance of the other revenue, 356 refundable deposit balance older than 03 years amounting to Rs.934,087 and the Value Added Tax amounting to Rs.624,939 brought forward from the preceding years.

#### 1.3.5 Lack of Evidence for Audit

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In view of the failure to produce documents such as the updated and properly maintained Register of Fixed Assets in respect of the fixed assets totalling Rs.51,014,571, the registers relating to the Capital Grants amounting to Rs.5,044,324, the Stamp Duty and Courts Fines amounting to Rs.9,283,339 and the Schedules in respect of Sundry Creditors balance and the refundable deposits amounting to Rs.3,522,816 appearing in the financial statements, those could not be satisfactorily examined in audit.

#### 1.3.6 Non-compliance with Laws, Rules and Regulations

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A statement of excess or saving under each item of expenditure as compared with the budget and the supplementary votes, together with an explanation on the cause of the excess or unexpended balance had not been presented with the accounts in terms of Rule 193 of the Pradeshiya Sabhas (Financial and Administrative) Rules 1988.

### 2. Financial Review

#### 2.1 Financial Results

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According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.6,205,712 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.6,897,611. Accordingly, the financial results for the year under review indicated a deterioration of Rs.691,899.

#### 2.2 Analytical Financial Review

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A Summarized Statement of the total Recurrent Revenue, the Revenue Grants, the Self-generated Revenue and the total Recurrent Expenditure of the Sabha for the year under review and the two preceding years for the year under review and the two preceding years is given below.

Year	Total Recurrent Revenue	Revenue Grants	Self- generated Revenue	Total Recurrent Expenditure	Recurrent Expenditure exceeding the Self- generated Revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	42,234,116	24,757,178	17,476,938	36,028,404	(18,551,466)
2014	35,977,675	17,830,084	18,147,591	29,080,064	(10,932,473)
2013	28,183,807	10,716,194	17,467,613	22,713,680	(5,246,067)

The following observations are made in this connection.

- (i) An improvement of the Revenue Grants of all years and a decrease of the self-generated revenue of the year under review amounting to Rs.670,653 as compared with the preceding year were indicated.
- (ii) Even though the recurrent expenditure had continuously increased in considerable amounts at a fast pace in all the years, the attention of the Sabha had not been paid to that position.
- (iii) If not for the receipt of the Revenue Grants by the Sabha, it would not have been possible in any manner whatsoever to cover the recurrent expenditure from the self-generated revenue of the Sabha.

## 2.3 Revenue Administration

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### 2.3.1 Acreage Tax

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The arrears of Acreage Tax at the beginning of the year under review amounted to Rs.229,640 and the recoveries had been 5 per cent of the opening balance and 25 per cent of the billings. Nevertheless, action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of the arrears of revenue.

### 2.3.2 Trade Licence Fees

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The Sabha had failed to recover any amount whatsoever from the opening outstanding balance of the year under review amounting to Rs.70,522.

### 2.3.3 Rents

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As only 26 per cent of the opening outstanding balance of Rs.1,438,414 had been recovered the arrears balance of Rent as at the end of the year had been a high value of Rs.1,427,373.

### 2.3.4 Water Charges

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As only 39 per cent of the opening outstanding balance and 61 per cent of the billings had been recovered, the arrears balance as at the end of the year had been a high value of Rs.1,056,232.

### 2.3.5 Courts Fines and Stamp Duty

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Courts fines amounting to Rs.694,307 and the Stamp Duty amounting to Rs.8,589,033 remained receivable as at 31 December 2015 from the Chief Secretary of the Provincial Council and other Authorities.

### 3. Operating Review

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#### 3.1 Performance Evaluation

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##### 3.1.1 Progress of Execution of Capital Work Proposals

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The estimated capital expenditure for the year 2015 amounted to Rs.148,260,000 whilst the actual capital expenditure amounted to Rs.2,745,089. As such the progress of execution of the capital works had been at a level less than 2 per cent.

#### 3.2 Management Inefficiencies

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##### 3.2.1 Human Resources Management

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The Sabha had not taken action for the filling of 6 vacancies in the staff that existed as at the end of the year under review or for the formalizing the excess cadre of 15.

#### 3.3 Operating Inefficiencies

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##### 3.3.1 Reimbursement of Interest on Property Loans

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A sum of Rs.237,135 representing the Bank interest on the property loans granted to the officers of the Sabha had not been reimbursed by the Commissioner of Local Government even by the end of the year under review.

##### 3.3.2 Staff Loans

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The recovery of the loan installments and interest on loans totalling Rs.133,800 granted to the officers and employees of the Sabha had been in arrears over a period exceeding one year.

### 4. Good Governance and Accountability

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#### 4.1 Budgetary Control

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The expenditure exceeding the budget expenditure limit of 02 items of expenditure included in the budget for the year under review amounting to Rs.380,467 , the savings under 05 items of expenditure amounting to Rs.1,224,101 and the adverse variances of 04 items of revenue totalling Rs.722,076 existed. As such the budget had not been made use of as an effective instrument of management control.

#### 4.2 Internal Audit

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Even though an adequate internal audit had not been carried out as specified in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. දපප/යහ/01/නවලේ dated 24 February 2014 of the Commissioner of Local Government (Southern Province) the Internal Audit Officer appointed by the Sabha had been paid a sum of Rs.404,163 as the salary and allowances during the year under review.

#### 4.3 Audit and Management Committee

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Action in terms of the provisions in the Audit and Management Circular No.DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

#### 4.4 Assets Management

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The following observations are made.

##### (a) Idle and Underutilised Assets

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The following observations are made.

Five motor vehicles of the Sabha costing Rs.32,449,752 had not been deployed effectively for the development activities or revenue generating activities during the year under review. Similarly, the Single Drum Roller costing Rs.7,389,200 received from the Ministry of Local Government and Provincial Councils on 06 March 2015 had not been used for running during the year under review.

##### (b) Assets not Vested

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Even though the Sabha had been using 2 motor vehicles and the land called Mahaovitakumbura of assessed value of Rs.800,000 over a period exceeding one year, action had not been taken to vest the ownership thereof to the Sabha.

##### (c) Annual Board of Survey

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According to the Report of the Board of Survey carried out as at 31 December 2015, a shortage of 49 units of 07 categories of Inventory Equipment had been revealed. Nevertheless, follow-up action in that connection had not been taken.

#### 5. Systems and Controls

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

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