

**Suriyawewa Pradeshiya Sabha**  
**Hambantota District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 29 March 2016 and the financial statements for the preceding year had been presented on 22 May 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 15 July 2016.

**1.2 Opinion**

In my opinion, except for the effects of the matters shown in paragraphs 1.3.2 and 1.3.6 of this report, the financial statements give a true and fair view of the financial position of the Suriyawewa Pradeshiya Sabha as at 31 December 2015 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 Accounting Policies**

The financial policies adapted for preparing the financial statements had not been disclosed.

**1.3.2 Accounting Deficiencies**

The following accounting deficiencies are observed.

- (a) The business tax, licence fees and rent valued at Rs.100,800 as at end of the year under review and the balance of the Accumulated Fund had been understated by Rs.63,707 in the balance sheet.
- (b) The balance of the Employees' Security Deposit Account amounting to Rs.629,356, the balance of the Security Deposit Interest Account amounting to Rs.158,661, the excess reimbursement of Rs.1,560 from the Department of Elections and the values of 4 revenue items and one expenditure item totalling Rs.254,958 had been omitted in the financial statements
- (c) The capital expenditure of Rs.3,086,732 and the capital revenue of Rs.2,728,135 of the previous year had been accounted as revenue and expenditure of the year under review.
- (d) The opening balance of the Employees' Security Deposit Account had been understated by Rs.75,287.
- (e) The loan balance of the Local Loans and Development Fund obtained for purchasing a motor grader amounting to Rs.1,900,000 as at end of the year had been omitted in the accounts.

**1.3.3 Unreconciled Control Accounts**

Differences totalling Rs.1,122,164 were observed between the balances of 8 items of accounts included in the financial statements and the related books and schedules.

#### 1.3.4 **Accounts Receivable**

The value of work receivable as at end of the year under review amounting to Rs.11,442,346 included the balances of Rs.2,728,137 receivable for the previous year.

#### 1.3.5 **Accounts Payable**

Action had not been taken even by end of the year under review to pay Rs.3,246,391 for 8 works carried out in the previous year.

#### 1.3.6 **Lack of Evidence for Audit**

Confirmation of balances and age analysis relating to debtors' and creditors' balances totalling Rs.5,974,528, confirmation of balances relating to the Asia Foundation Account and the Water Consumers Committees Account totalling Rs.68,548, detailed schedules relating to removal of non reconciliations of accounts such as work debtors, revenue debtors , security deposits , retention deposits, tender deposits and sundry debtors totalling Rs.4,494,734, quotations and the tender board divisions received for the payment of Rs.455,340 for repairing a cab had not been furnished and such these could not be satisfactorily examined in audit.

#### 1.3.7 **Non – Compliance with Laws, Rules, Regulations and Management Decisions**

Instances of non – compliance with laws, rules and regulations were observed in audit.

<b>Reference to Laws, Rules , Regulations etc.,</b>	<b>Non Compliance</b>
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(a) Decision of the Cabinet of Ministers No.15/Misc (051) of 21 May 2015	An expenditure of Rs.150,465 had been incurred from the funds of the Sabha on behalf of the Hambantota District Local Government Sports Festival , contravening the said decision of the Cabinet of Ministers.
(b) Financial Regulation of the Republic of Sri Lanka 571(3)	Action had not been taken in terms of the said regulation with regard to 5 balances of security deposits totalling Rs.86,875 which had lapsed before 3 years.

## 2. **Financial Review**

### 2.1 **Financial Results**

According to the financial statements presented the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2015 amounted to Rs.471,652 as against the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,026,432. Accordingly, a deterioration in financial results amounting to Rs.2,498,084 was observed.

## 2.2 **Analytical Financial Revenue**

The following matters are observed.

- (a) The self-generated revenue as well as the receipt of revenue aid continues to increase every year as compared with the past two years. But, there was significant increase in value of the recurrent expenditure.
- (b) Significant increase in recurrent expenditure exceeding the Self Generated Revenue of the Sabha was observed in the past 2 years including the year under review. Meanwhile, this had increased twice the Self Generated Income of Rs.23,830,568 of the year under review.
- (c) The Sabha was unable to meet its recurrent expenditure, whatsoever, from its revenue, if not for the receipt of revenue aid. The expenditure during the year under review had exceeded the total recurrent revenue of the year under review amounting to Rs.23,696,639.

## 2.3 **Revenue Administration**

### 2.3.1 **Rates and Taxes**

The Sabha had not paid attention to assess the rates and taxes and to recover them accordingly in terms of Section 134 (1) of the Pradeshiya Sabha Act. No. 15 of 1987.

### 2.3.2 **Lease Rent**

The following matters are observed.

#### (a) **Lease of Week End Fair**

- (i) Action had not been taken to call for tenders for the lease of Suriyawewa and Venivel Ara Week end Fair in terms of 1988 Pradeshiya Sabha (Finance and Administration) Rule 177. Instead, the Sabha had appointed revenue collectors for recovery of taxes on the basis of paying commission.
- (ii) The commission paid on behalf of Suriyawewa and Venivel Ara Week end Fairs were Rs.2,066,123 and Rs.88,514 respectively. The Sabha could have saved the commission paid if it had taken action to call for tenders for the lease of week end fairs.

#### (b) **Stall Rent**

Action had not been taken to recover the arrears in term of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987. As such, the stall rent and the demurrages recoverable from 41 stalls belonging to the Sabha as at end of the year under review amounted to Rs.797,300 and Rs.79,555 respectively.

#### (c) **Non – recovery of Key Money**

- (i) Key money had not been recovered in terms of paragraph 4 of the Circular No. දළභා/පළාතකො/2010/01 of 27 December 2010 issued by the Southern Commissioner of Local Government. As such, the arrears as at end of the year under review amounted to Rs.429,769.
- (ii) The sum of Rs.142,726 recoverable from 4 stall owners who had not paid the key money for a long time had been included in the arrears of balances. But, action had not been taken by the Sabha to acquire those stalls or to recover the amount concerned.

### 2.3.3 **Water Charges**

Water charges amounting to Rs.157,032 were recoverable from 310 consumers of water as at end of the year under review.

### 2.3.4 **Court Fines and Stamp fees**

Court fines amounting to Rs.1,074,187 and stamp fees amounting to Rs.126,500 were recoverable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015.

## 3. **Operating Review**

### 3.1 **Evaluation of Performance**

The following matters are observed.

(a) The annual Action Plan containing the development proposals and the members' proposals to be implemented during the years under review had not been prepared. The proposals concerned had not been included in the budget too.

(b) The expected capital revenue and the capital expenditure year under review amounted to Rs.26,500,000 and Rs.28,000,000 respectively. However, details showing the source of capital revenue and the programmes proposed to be implemented under the capital expenditure had not been shown.

(c) No expenditure had been incurred as at end of the year from the total provision of Rs. 10,189,200 made for 126 objects in the budget for the year under review.

### 3.2 **Operating Inefficiencies**

A sum of the Rs.50,000 had been allocated to purchase equipment for selected pre schools of the Suriyawewa Divisional Secretariat Area under the members provision of the 2014 Southern Province Development Plan. Of this, Rs.25,200 had been spent to obtain a group photograph of the pre school children contravening the objective.

### 3.3 **Transactions of a Contentious Nature**

Fifteen tyres and 4 tubes had been purchased by spending Rs.194,950 on 6 instances from 3 institutions during the year under review. One of the 3 institutions said to have furnished quotations had informed the Sabha in writing that they have not furnished quotations within the year 2015 and the quotations bearing their name and official stamp was fictitious.

### 3.4 **Identified Losses**

A portion of goods purchased by incurring an expenditure of Rs.1,065,900 for construction of barbed fence for the proposed compost project had been missing. According to the recommendations made on the report furnished on 09 July 2013 in terms of Financial Regulation 104, the purchasing cost of missing goods amounting to Rs.101,500 was to be recovered from the parties concerned. However, action had not been taken even by end of the year under review.

### 3.5 **Staff Administration**

The following matters are observed.

(a) Action had not been taken to regularize the excess cadre of 13 employees as at end of the year under review.

- (b) Four persons had been recruited to the Sabha in excess of the approved cadre. Three of them had been assigned to work as Public Management Assistant, Driver and Library Assistant.
- (c) Three of the 9 approved field labourers of the Sabha alone had been assigned their those duties and the rest had been assigned to work as Public Management Assistants, watchers, reception officer and at the electricity division.
- (d) Labourers of the road sector had been assigned to carry out other activities and as such the services of external labourers had been obtained for those activities. Wages for labourers amounting to Rs.191,400 had been paid on 5 occasions during the year under review.

### 3.6 **Transactions without Authority**

An expenditure of Rs.209,585 had been incurred on purchasing cement and equipment on 5 instances for 04 Viharas and 05 pre schools within the area of the Pradeshiya Sabha without obtaining the prior approval of the Minister in terms of Sections 132 (ඒ) and (ඔ) of the Pradeshiya Sabha Act No.15 of 1987.

## 4. **Good Governance and Accountability**

### 4.1 **Budgetary Control**

The entire provision of an expenditure item included in the budget of the year under review, savings of Rs.30,147,722 in 07 other items of expenditure and expenditure in excess of the limit amounting to Rs.5,827,897 of 2 other items of expenditure and targets not achieved by Rs.22,517,703 with regard to 04 revenue items were observed showing that the budget had not been utilized as an effective instrument of management control.

### 4.2 **Internal Audit**

An officer had been appointed to attend to internal audit activities in terms of the circular of the Southern Commissioner of Local Government No. දපප/ශහ/01/න.ව.මල of 24 February 2014. But, adequate internal audit could not be carried out. Action had not been taken in terms of Financial Regulations 134(2) and (3) with regard to Audit Plan and Audit Reports.

### 4.3 **Implementation of Audit Management Committees**

Action had not been taken, even by end of the year under review, to establish an Audit and Management Committee in terms of the Management Audit Circular No.DMA/2009(i) of 09 June 2009.

### 4.4 **Assets Management**

The following matters are observed.

#### (a) **Assets not Acquired**

Activities relating to the acquisition of legal rights of 8 lands used by the Sabha had not been completed even by end of the year under review.

(b) Board of Survey

Shortages of 436 books valued at Rs.82,295 had been reported at Weeriyagama and Suriyawewa libraries during the board of survey for the year under review. However, action had not been proceeded regarding this.

4.5 Unsettled Liabilities

The total value of unsettled liabilities as at 31 December 2015 amounted to Rs.12,595,028. Liabilities of the previous year amounting to Rs.3,151,718 had been included in this.

5. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of control.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Personnel Management