

**Pasgoda Pradeshiya Sabha**  
**Matara District**

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**1 Financial Statements**

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**1.1 Presentation of Financial Statements**

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The Financial Statements for the year under review had been presented to the Audit on 31 March 2017 and the financial statements for the preceding year had been presented to the Audit on 19 May 2016 and the Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 23 August 2017.

**1.2 Qualified Opinion**

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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 Pasgoda Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed during the course of audit.

- (a) A sum of Rs. 136,758 had been overstated in debtor and creditor balances of 05 completed contracts.
- (b) A sum of Rs. 500,000 received in the year 2015 for construction of Ahalakanda Ihalagoda road had further been accounted as capital grant arrears.
- (c) The value of computer and accessories amounting to Rs. 83,000 received in the year under review as donations had not been capitalized.
- (d) Though 02 contracts had not been started from the advance amount of Rs. 1,992,750 received for those contracts, the amount had been included in the expenditure of the year.
- (e) Similar deposit amount of Rs. 8,169,257 receivable as at the end of the year under review for constructing of Urubokka market complex had not been accounted.

**1.3.2 Accounts Receivables and Payables**

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The following observations were made.

- (a) Seven balances over 03 years period of Rs. 1,760,880 had been included in arrears sundry income balance aggregating Rs. 17,107,635 as at the end of the year under review.

- (b) Three balances over 03 years period of Rs. 390,000 had been included in expenditure creditor balance aggregating Rs. 22,449,864 as at the end of the year under review.
- (c) Though 04 deposit payable balances over 03 years period aggregating Rs. 821,257 were remained as at end of the year under review, actions had not been taken to settle them.
- (d) Actions had not been taken to settle the amount of Rs. 1,758,665 payable as at the end of the year under review to Local Government Pension Fund.

### **1.3.3 Lack of Documentary Evidence for Audit**

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In view of the failure to produce evidence such as prepared and properly updated register of fixed assets, title deeds and inventory registers with relating to 03 fixed assets balances totaling Rs. 26,936,017 could not be satisfactorily examined in audit.

### **1.3.4 Non-compliance with Laws, Rules and Regulations**

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According to the Financial Regulation of the Republic of Sri Lanka 571, actions had not been taken with relating to 29 deposits balances payable aggregating Rs. 553,450 which was remaining over 02 years period.

## **02. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 12,188,452, as compared with the excess of recurrent expenditure over revenue amounting to Rs. 9,268,647 for the preceding year. Accordingly, the financial results for the year under review indicated an improvement of Rs. 2,919,805.

### **2.2 Analytical Financial Review**

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The following observations were made.

- (a) It was observed that total recurrent expenditure was almost 72 per cent from the total recurrent revenue of the year under review.
- (b) The recurrent expenditure had been increased more than the self-generated Revenue by significant amounts as well as the previous two years and it was shown situation where recurrent expenditure could not be recovered at any mean from self-generated revenue if not receiving revenue grants.

## **2.3 Working Capital Management**

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Even though the current and quick ratios of the year under review indicated as 1: 1.7, it was observed that a liquidity position does not exist due to the existence of unrecovered balances older than 03 years amounting to Rs. 1,760,880 in the debtor balance.

## **2.4 Revenue Administration**

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### **2.4.1 Acreage Tax**

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While there was opening arrears balance amounting to Rs. 97,654, and a sum of Rs. 132,921 had to be recovered including the billings of Rs. 35,267 of the year. The arrears balance as at the end of the year was Rs. 93,580 due to the total recoveries was Rs. 39,341.

### **2.4.2 Stall Rent**

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The following observations were made.

- (a) While there was opening arrears balance amounting to Rs. 2,252,215, and a sum of Rs. 3,850,715 had to be recovered including the billings of Rs. 1,598,500 of the year. The arrears balance as at the end of the year was Rs. 3,199,195 due to the total recoveries during the year was Rs. 651,520.
- (b) Arrears stall rent balances of stalls in Urubokka market complex and stalls close to Venus playground had been increased by Rs. 2,285,470 after the valuation in the year 2014. A situation was arisen where the legal actions could not be taken to recover arrears rent due to non-renewing agreements of 35 stalls after the date of 31 December 2014.

### **2.4.3 Market Tax**

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A sum of Rs. 5,868,562 had to be recovered including the arrears of Rs. 136,862 as at the beginning of the year and the billings of Rs. 5,731,700 of the year. The arrears balance as at the end of the year was Rs. 143,532 due to the total recoveries was Rs. 5,725,030.

### **2.4.4 Courts Fines and Stamp Duty**

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Courts fines amounting to Rs. 1,027,138 and the Stamp Duty amounting to Rs. 11,810,440 had been remained as receivable from the Chief Secretary to the Provincial Council and other Authorities as at the end of the year under review.

### **03. Operating Review**

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#### **3.1 Performance**

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##### **3.1.1 Implementing Progress in Capital Work Proposals**

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The estimated capital expenditure for the year under review amounted to Rs. 38,490,000 whilst the actual capital expenditure amounted to Rs. 26,499,518 and as such the progress of the capital expenditure was 69 per cent.

#### **3.2 Management Inefficiencies**

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Though a sum of Rs. 1,201,550 had been spent for survey activities of 23 lands belonging to Sabha, steps had not been taken to protect those lands.

##### **3.2.1 Human Resources Management**

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Actions had not been taken to fill 02 posts in tertiary, secondary level and primary level 02 posts and to streamline 07 excess posts in 04 posts in approved staff cadre plan.

##### **3.2.2 Staff Loans**

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The arrears loan balances to be recovered as at the end of the year under review was aggregating Rs. 2,819,345.

#### **3.3 Operating Inefficiencies**

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The following observations were made.

- (a) Tenders had been called in the year 2012 for distributing of 40 stalls in Urubokka Bus Stand on Pre-Sale basis and only 11 had been signed the contracts. The agreements had been invalid due to non-performing in terms of the agreements. A sum of Rs. 8,169,257 was in arrears as at 31 December 2016 from the similar deposits amount receivable in terms of the agreements.
- (b) Though 15 stalls had been constructed by spending a sum of Rs. 27,429,070 as at 31 December 2016, out of them 11 had been remained idle from 11 March 2016.

#### **3.4 Idle and Underutilized Assets**

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The Bako Loader at a cost of Rs. 7,750,000 belonging to Sabha had been kept idle from the year 2015 and another 05 assets at a cost of Rs. 18,765,944 had been underutilized.

#### **3.5 Delay in Projects**

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Even though creditors provision of Rs. 200,000 had been made for the construction of a Buddhist Shrine in the Head Office, that work had not been executed during the year.

### **3.6 Solid Waste Management**

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The following observations were made.

- (a) 157,138 kilograms of garbage had been collected by spending a sum of Rs. 3,376,686 for salaries and allowances, fuel and vehicle repairs to collect garbage during the year under review.
- (b) 17,779 kilograms of organic fertilizer had been produced by spending a sum of Rs. 818,999 during the year under review.
- (c) The waste which were not used for producing of organic fertilizer is being dumped into a land in Boralampotha which the ownership had not been transferred to the Sabha and the environment license had not been obtained to this land.

### **3.7 Environmental Impact**

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According to the Gazette Notification No.1533/16 dated on 25 January 2008, Environment Protection License should be issued for 25 Industries. Sabha had lost an income of Rs. 338,800 due to non-taking Environment Protection License by 77 out of 94 business tax paying Institutions.

## **04. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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It was observed that the budget had not been made use of as an effective instrument of financial management control due to the savings aggregating Rs. 9,277,101 in 08 expenditure votes budgeted in the year under review and non-achieving targets aggregating Rs. 9,260,351 in 03 revenue votes.

### **4.2 Internal Audit**

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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. SPLA/G/01/MCC dated 24 February 2014 of the Commissioner of Local Government of the Southern Province, a sum of Rs. 442,448 had been paid to the Internal Audit Officer deployed by the Sabha as salaries and allowances in the year under review.

### **4.3 Audit and Management Committee**

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Action in terms of the provisions in the Management Audit 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.

## **5. Systems and Controls**

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

- I. Accounting
- II. Budgetary Control
- III. Revenue Administration
- IV. Assets Management