

**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 2017 had been presented to audit on 21 March 2018 and the report of the Auditor General for the year under review had been forwarded to the Chairman of the Sabha on 31 August 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Pasgoda Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with 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 deficiencies were observed in audit.

- (a) The amount payable for 02 work and the amount payable for 04 work had been overstated and understated in the accounts by Rs.132,788 and Rs.114,744 respectively.
- (b) Provision had not been made for Rs.56,804 payable to the Pensions Fund for the year under review.
- (c) Key money receivable amounting to Rs.1,975,375 had been understated in the accounts.

**1.3.2 Unreconciled Accounts**

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A difference aggregating Rs.2,109,387 was observed between the balances of 05 items of accounts in the financial statements and the related subsidiary registers/schedules.

### 1.3.3 Accounts Receivable

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The following matters were observed.

- (i) Four balances totalling Rs.136,862 over 03 years had been included in the arrears of fair tax totalling Rs.321,348 as at end of the year under review.
- (ii) Four balances totalling Rs.5,663,631 over 03 years had been included in the arrears of key money totalling Rs.6,310,069 as at end of the year under review.
- (iii) Twenty seven balances totalling Rs.2,009,165 over 03 years had been included in the arrears of stall rent totalling Rs.4,243,923 as at end of the year under review.

### 1.3.4 Lack of Necessary Documentary Evidence for Audit

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Seven items of accounts totalling Rs.3,036,877 could not be satisfactorily vouched in audit due to non-rendition of necessary information.

### 1.3.5 Non-compliance

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#### 1.3.5.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Instances of non-compliance with laws, rules, regulations and management decisions appear below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non - compliance</b>
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(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules	
(i) Rule 193	A statement showing the cause of actual and shortages relating to Objects had not been furnished along with the budgeted and the supplementary estimates of expenditure.
(ii) Rule 218	Land and buildings should be surveyed annually. However, all the land and buildings of the Sabha had not been surveyed in 2016 and 2017.
(b) Financial Regulation 571 of the Republic of Sri Lanka	Action had not been taken regarding refundable tender deposits totalling Rs.655,460 over 02 years and 56 balances of miscellaneous deposits.

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|---|---|
| (c) Letter of Instructions of the Commissioner of Local Government Southern Province No.දළස/සං/01/01/53 of 31 December 2016 | Action had not been taken as per letter of instructions with regard to 02 work executed by the Sabha for Rs. 2,488,034  |
| (d) Letter of Instructions of the Commissioner of Local Government, Southern Province No.12/2015 of 09 October 2015         | Although it had been informed that calendars and diaries should not be printed for free distribution since 2016, diaries had been printed by spending Rs. 39,000 contravening the instructions. |

**2. 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 2017 amounted to Rs.14,039,152 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,188,452.

## 2.2 Revenue Administration

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### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

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The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	1,460,000	1,414,011	1,409,801	97,397	1,465,000	1,530,787	1,535,255	93,187
Rent	7,571,240	7,717,160	6,500,988	4,565,271	6,488,400	7,518,450	6,566,874	3,349,099
Licence Fees	661,200	328,892	328,892	-	326,600	471,774	471,774	-
Other Revenue	7,921,200	11,569,091	8,648,920	16,164,442	8,894,000	10,711,220	4,444,863	13,244,271
Total	17,613,640	21,029,154	16,888,601	20,827,110	17,174,000	20,232,231	13,018,766	16,686,557

## 2.2.2 Performance in Collection of Revenue

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The total revenue estimated for the year under review amounted to Rs.17,613,640 and the revenue billed amounted to Rs.21,029,154. The total amount receivable amounted to Rs.37,715,711 along with the arrears at the commencement amounting to Rs.16,686,557. However, the total collection of revenue during the year amounted to Rs.16,888,601 resulting in a total arrears of Rs.20,827,110 as at end of the year.

## 2.2.3 Rates and Taxes

### ----- Acreage Tax

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The opening arrears of balances of Rs.93,187 added to the billings of the year of Rs.24,670 had resulted in receivables amounting to Rs.117,857. The total recoveries of Rs.21,781 had resulted in an arrears of Rs.96,076 as at end of the year.

## 2.2.4 Rent

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The following matters were observed

### (a) Fair tax

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The arrears of Rs.143,532 at commencement of the year added to the billings of Rs.5,825,071 had resulted in receivables amounting to Rs.5,968,603. The arrears as at end of the year amounted to Rs.321,348 due to the total recoveries of Rs.5,647,255 during the year.

### (b) Stall Rent

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(i) The opening balance of arrears of Rs.3,199,195 added to the billings of the year amounting to Rs.1,567,650 had resulted in an arrears of Rs.4,766,845 during the year. The arrears as at end of the year amounted to Rs.4,247,388 due to the total recoveries of Rs.519,457 during the year.

(ii) Agreements relating to 35 stalls of 02 trade complexes had not been renewed after 2014. As such, the recovery of Rs.4,112,391 was in suspense. Meanwhile, 15 stalls had been sub let contravening the circular of the Commissioner of Local Government No දපපා/ආ/5/6/මපාදු dated 27 December 2010.

## 2.2.5 Court Fines and Stamp Fees

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Court fines of Rs.2,063,488 and stamp fees of Rs.13,657,149 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

### **3. Operating Review**

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#### **3.1 Performance**

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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, health of the public, facilities, welfare etc.,

##### **(a) Non achievement of the Expected output level**

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The members' provision of Rs.30,000 received for the year 2016 had not been used for the said work.

##### **(b) Non achievement of the Expected Outcome**

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The upper floor of the Thihagoda Venus Stadium Building had been constructed by spending Rs.2,017,248 which included external and extra work for Rs.357,650. The uppermost roof of the building had not been made till 04 years which had been prepared after being pointed out in audit. However, the building remained idle from the time of construction.

##### **(c) Sustainable Development Target**

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The Sabha had not prepared the sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

#### **3.2 Human Resources Management**

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Seven vacancies in the approved cadre of tertiary, secondary and primary posts were vacant while there were 07 excesses. The Sabha had to spend Rs.325,713 from its fund for paying salaries and allowances to an employee recruited by the Sabha during the year under review.

#### **3.3 Operating Inefficiencies**

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The following observations are made in this connection

(a) According to Section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, one per cent of the entire land sold should be levied as tax by the Sabha. However, the sum of Rs.285,452 due on the sales value of Rs.28,545,200 had not been recovered. Further, the development licence had been issued before developing the land that had been auctioned. As a result, the revenue of one per cent recoverable could not be obtained.

(b) The estimated expenditure of physical plans, highways, land and buildings amounted to Rs.11,600,000. But, the cost of work exceeded during the year was 28 percent of

the estimated value, that is, Rs.3,274,170. Further, only 8.5 per cent of the estimated cost of the general administration programme had been spent.

### **3.4 Transactions of Contentious Nature**

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One acre, 02 roods and 02 perches of land had been given to the Sabha to build a playground. Of this Amuhengoda playground land, 02 roods of land had been given to the Vocational Training Authority to construct a vocational training centre in the year 2014. The Sabha had decided to give the land concerned on a long term lease without action being taken to enter into an agreement and to obtain the lease amount. In this connection, action had not been taken in terms of conditions referred to in Sections 16,18 and 19(viii) of the Pradeshiya Sabha Act No. 15 of 1987 and action had been taken deviating the objectives.

### **3.5 Assets Management**

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#### **3.5.1 Idle / Under utilized Assets**

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Arrangements had not been made to safeguard 25 blocks of land belonging the Sabha and a register of fixed assets also had not been maintained. The land had not been surveyed after 2014. Only 02 lands of 03 acres, 09 perches and 02 acres, 10 roods and 09 perches had been identified as the properties of the Sabha out of the entire 25 properties brought to account by the Sabha.

### **3.6 Identified Losses**

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The charges relating to lease at the Urubokka week end fair had been increased from 16 per cent to 30 percent in 2017 as compared with the year 2016. However, the amount collected had decreased by Rs.38,250 as compared with 2016. The Sabha had not drawn its attention regarding the decrease in recovery of taxes charged. Action had not been taken up to end of the year under review to recover the sum of Rs.152,151 due from Mawarala week end fair given on lease in 2017.

### **3.7 Procurement**

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The following matters were observed.

- (a) The Pradeshiya Sabha had entered into an agreement with a contractor for Rs.3,000,000 to construct the upper floor of the trade complex close to the Heegoda Venus Playground. Newspaper advertisements calling for quotations and the award of contract had been performed without following the procurement procedures. The agreement entered into was Rs.168,220 more than the amount of Rs.2,831,780 agreed with the contractor.
- (b) An estimate for Rs.3,673,195 had been prepared for the Biso Ella Development Project. The work valued at Rs.3,030,324 had been split into 4 parts and 4 jobs had been entrusted to one society and another job valued at Rs.642,871 had been

entrusted to another society. These were in contravention of Paragraph 3.9.4 of the procurement guidelines.

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

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##### **4.1 Budgetary Control**

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Significant variances were observed between the budgeted and the revenue and expenditure of the year under review. As such, it was observed that the budget had not been utilized as an efficient instrument of management control.

- (a) Savings in 08 Objects totalling Rs.13,475,310 ranged from 02 per cent to 83 per cent.
- (b) The targets not achieved in 03 items of revenue aggregated Rs.5,317,442 ranging from 03 percent to 50 per cent.

##### **4.2 Internal Audit**

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Adequate internal audit had not been carried in terms of provisions in Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the circular No.දපසා/යන/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government. The Auditor General had not been consulted while preparing the Internal Audit Programme in terms of Financial Regulations 134 and copies of internal audit reports had not been furnished to audit.

##### **4.3 Audit and Management Committees**

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

#### **5. Systems and Controls**

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Collection of Revenue
- (c) Budgetary Control
- (d) Contract Administration
- (e) Accounting