

**Malimbada Pradeshiya Sabha**

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**Matara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Malimbada Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Deficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) The expenditure of Rs.581,747 payable in respect of the construction of Thelijjawila Public Library under the Criteria Based Development Grant of the previous year had been shown as capital expenditure of the year under review in the financial statements.	Should be correctly brought to account	Action will be taken to make rectification in the financial statements as at 31 December 2019
(ii) The sum of Rs.998,600 receivable as at end of the year under review on behalf of the Puwakadola Water Project Development had not been brought to account under work debtors.	Should be correctly brought to account	Action will be taken to make rectification in the financial statements as at 31 December 2019

**(b) Lack of Necessary Documentary Evidence for Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Nine items of accounts aggregating Rs.197,461,065 could not be satisfactorily verified in audit due to non rendition of necessary information.	Evidence to confirm balances of accounts shown in the financial statements should be furnished.	Land and buildings had been verified in 2019.

**1.4 Non-Compliance**

**1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Employees' Provident Fund Act No.15 of 1958 as amended by the Employees' Provident Fund Act No.42 of 1988	The sum of Rs.172,440 to be credited to the Employees' Provident Fund on behalf of an employee for the period 2007 to 2017 had not been credited. The sum of Rs.68,976 being 8 per cent of the salary recoverable from the employee as contributions had been paid from the funds of the Sabha.	Action should be taken in terms of the provisions in the Act.	Payments had been made from the funds of the Sabha as per special decision of the Sabha bearing No.1860.
Section 150(4) of the Pradeshiya Sabha Act No.15 of 1987	The Secretary of the Sabha had not drawn his attention with regard to recovery of revenue due to the Sabha.	Action should be taken in terms of the Section of the Act	Steps will be taken to recover revenue in future

1988 Pradeshiya Sabha  
(Finance and  
Administation) Rule 33

A list of defaulters of  
rates and taxes and the  
warrant charges for  
distraing orders had  
not been prepared.

Action should be  
taken in accordance  
with the rule

Action would be  
taken in future

## **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 2018 amounted to Rs.13,884,732 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.14,520,472.

## 2.2 Revenue Administration

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

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	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,569,000	1,184,082	1,209,492	107,689	1,449,000	1,261,776	1,212,335	133,099
Rent	6,547,600	1,922,145	1,745,537	272,336	2,963,600	1,676,617	1,674,117	95,728
Licence Fees	639,500	786,642	787,442	16,000	632,000	457,734	457,734	16,800
Other Revenue	24,889,800	21,811,557	11,496,947	49,572,654	18,509,700	20,898,757	9,554,261	39,258,044
Total	33,645,900	25,704,426	15,239,418	49,968,679	23,554,300	24,294,884	12,898,447	39,503,671

## 2.2.2 Performance in collection of Revenue

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>The estimated revenue of the year under review amounted to Rs.33,645,900. The arrears at the commencement of the year under review amounting to Rs.39,503,671 and the billings amounting to Rs.25,704,426 resulted in recoverables amounting to Rs.65,208,097. The total recoveries during the year amounted to Rs.15,239,418 only. As such, the arrears recoverable as at 31 December of the year under review amounted to Rs.49,968,679.</p>	<p>-----</p> <p>Recovery of arrears of revenue should be intensified.</p>	<p>-----</p> <p>Action is being taken to recover the arrears</p>

## 2.2.3 Rates and Taxes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>(a) The balance of arrears of rates and taxes as at commencement of the year under review amounting to Rs.123,732 together with the billings of the year amounting to Rs.148,738 had resulted in recoverables amounting to Rs.272,470. The arrears as at end of the year amounted to Rs.92,241 as the total recoveries during the year amounted to Rs.180,229.</p>	<p>-----</p> <p>Recovery of arrears of rates should be intensified.</p>	<p>-----</p> <p>Action is being taken to recover the balances of arrears.</p>
<p>(b) The arrears of acreage tax as at commencement of the year under and 20.1 per cent of the billings had been recovered during the year</p>	<p>Recovery of arrears of acreage tax should be intensified.</p>	<p>Action will be taken in future to recover the balances of arrears.</p>

#### 2.2.4 Lease Rent

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>The arrears of Rs.95,728 as at the commencement added to the billings of the year amounting to Rs.1,712,845 resulted in receivables amounting to Rs.1,808,753. The total recoveries during the year amounted to Rs.1,543,462. As such, the arrears as at end of the year amounted to Rs.265,111. Out of the arrears as at the commencement, a sum of Rs.19,500 had been recovered during the year.</p>	<p>Recovery of lease rent should be intensified</p>	<p>Action will be taken in future to settle the arrears.</p>

#### 2.2.5 Trade Tax

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>The balance at the commencement of the year under review amounting to Rs.16,800 added to the billings of the year amounting to Rs.830,600 resulted in recoverables amounting to Rs.847,400. The total recoveries during the year under review amounted to Rs.831,400 whilst the arrears as at 31 December of the year under review amounted to Rs.16,000. It was observed that none of the arrears at the commencement had been recovered.</p>	<p>Should be recovered soon</p>	<p>Action will be taken to settle arrears in the future.</p>

## 2.2.6 Court Fines and Stamp Fees

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Court fines of Rs.1,398,511 and stamp fees of Rs.48,174,143 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review.	----- Should be recovered soon	----- Steps will be taken to obtain arrears of balances in future.

## 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, healthy environment of the public, facilities, welfare etc.,

#### (a) Bye-Laws

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Although bye-laws had been enacted to supply essential services in terms of Section 139 of the Pradeshiya Sabha Act No.15 of 1989 and the Gazette Notification No.1878 of 29 August 2014 of the Democratic Socialist Republic of Sri Lanka, those bye-laws had not been implemented even by 05 May 2019.	----- Action should be taken in terms of provisions in the Act and the Gazette Notification.	----- Action is being taken according to bye-laws.

**(b) Sustainable Development Target**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.	Indicators should be identified to measure sustainable development objectives and targets and the progress in achievement of annual target should be measured accordingly.	Six functions continue to be implemented now.

**3.2 Management Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The Sabha had received Rs.1,000,000 from the Ministry of Local Government in 2000 to construct a crematorium in the Alawaththahena land at Malimbada. Of this, a sum of Rs.900,000 had been invested in Treasury Bills without being used for the required purpose. The balance of Rs.100,000 had been utilized for commencing the construction of the crematorium. However, the work had been abandoned subsequently.	Action should be taken to fulfil the expected objective.	It is expected to commence the construction of crematorium.

**3.2 Human Resources Management**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Action had not been taken even by end of the year under review to fill 06 vacancies existing in the approved	Action should be taken to fill vacancies and to regularize the excess cadre.	Action will be taken in future.



cadre and to get approval for the excess tertiary posts.

### **3.4 Assets Management**

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#### **3.4.1 Idle/Under utilized Assets**

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##### **Audit Observation**

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The Malimbada Public Market had been constructed in 2016 by spending Rs.1,800,093 under the Improvement of Infrastructure Facilities of Local Authorities Capital Programme. The ground floor of the market remained idle for 2 years.

##### **Recommendation**

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Assets of the Sabha should be beneficially utilized.

##### **Comments of the Accounting Officer**

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Action would be taken to complete the rest of the work utilizing the funds of the Sabha so as to conduct the fair in futue.

### **3.5 Identified Losses**

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##### **Audit Observation**

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A surcharge of Rs.86,220 had been imposed for not crediting the contributions to the Employees' Provident Fund before the due dates. A sum of Rs.43,110 had been paid from the funds of the Sabha during the year under review.

##### **Recommendation**

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Action should be taken to make recoveries from the officers responsible.

##### **Comments of the Accounting Officer**

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Payments had been made from the funds of the Sabha in terms of the decision of the Sabha No.5.18.

#### 4. Accountability and Good Governance

##### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Savings in 08 objects amounted to Rs.14,264,909, which ranged from 15.3 per cent to 100 per cent.	Feasible annual estimates should be prepared.	Action will be taken in future to minimize variances between the estimated and actual revenue and expenditure.
(b) Targets not achieved with regard to 05 items of revenue aggregated Rs.9,966,892 which ranged from 7.7 per cent to 70.6 per cent.	Feasible annual estimates should be prepared.	Action will be taken in future to minimize variances between the estimated and actual revenue and expenditure.

##### 4.2 Internal Audit

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Adequate internal audit had not been carried out in terms of provisions in Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the Circular No. දළභා/යභ/01/න.ව.ලේ. of 24 February 2014 of the Southern Commissioner of Local Government.	Adequate internal audit should be carried out as required by the circular	Action could not be taken
(b) The consent of the Auditor General had not been obtained for preparation of the Internal Audit Programme in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to the Auditor General.	Action should be taken in terms of the Financial Regulation 134.	Action will be taken in future to furnish copies of internal audit reports.

### 4.3 Unresolved Audit Paragraphs

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Ten blocks of land of 09 acres, 01 rood and 36 perches belonging to the Sabha remains idle. Meanwhile, steps had not been taken even during the year under review to demarcate the boundaries of 38 blocks of land of 25 acres and 18 perches belonging to the Sabha and to safeguard the land accordingly.	Action should be taken to settle the properties of the Sabha	Action will be taken in future
(b) The block stone manufacturing machine valued at Rs.175,644 purchased by the Sabha remained idle since 2012	Should be utilized for beneficial activities.	Action is being taken to auction.
(c) The stone roller of the Sabha costing Rs.7,967,144 had been given on lease to a private trader at the rate of Rs.1,500 per hour. The sum of Rs.105,000 due to the Sabha had not been recovered.	Recovery of arrears of revenue should be intensified	The Sabha had decided to set off Rs.77,400 from the retention deposits and to set off the balance sum of Rs.31,825 for supply of fuel.