

**Matara Pradeshiya Sabha**

**Matara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The Financial statements for the year under review was presented for audit on 02 August 2013 and the financial statements for the preceding year had been presented to audit on 31 July 2012. The report of the Auditor General for the year under review was forwarded to the Chairman of the Sabha on 27 December 2013.

**1.2 Opinion**

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Matara Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following observations are made.

- (a.) The value of 08 buildings amounting to Rs.9,000,000 had been omitted in the financial statements.
- (b.) The value of stock of the year under review amounting to Rs.866,503 had not been shown in the financial statements.
- (c.) The value of stamp fees receivable for the year 2011 had been brought to account as Rs.3,986,623 and the actual stamp fees received during the year 2012 amounted to Rs.4,466,133. The under-provision of stamp fees amounting to Rs.479,510 had not been adjusted in the accounts.
- (d.) Even though the courts fines for the period May to December 2011 had been estimated at Rs.200,000, the actual receipts in the year 2012 amounted to

Rs.950,637. The under-provision of Rs.750,637 had not been adjusted in the accounts.

- (e.) The amount receivable for the Doserkanda, Second by road included in the Works Debtors Schedule for the year under review had been understated by a sum of Rs.500,000 and as such the Works Debtors had been understated by that amount in the financial statements.
- (f.) The cash balances amounting to Rs.441,048 appearing in 04 Savings Accounts of the Sabha in the People's Bank had not been shown in the financial statements.
- (g.) Even though assets valued at Rs.8,313,442 had been returned to the National Water Supply and Drainage Board during the year under review necessary adjustments for the elimination of those from the financial statements had not been made.
- (h.) A sum of RS.2,500,000 from the Current Account maintained in the People's Bank by the Sabha had been invested in 03 fixed deposits on 15 September 2011. Out of 03 fixed deposits, one fixed deposits for Rs.1,008,630 in September 2011 itself and the two other fixed deposits for Rs.1,530,091 on 01 January 2012 had been uncashed. Nevertheless, the value of fixed deposit had been shown as the Rs.2,500,000 in the financial statements for the year under review.

### **1.3.2 Unreconciled Control Accounts**

The balances of 08 items of account according to the relevant Control Accounts totaled Rs.47,981,064 whereas according to the financial statements the balances of those accounts totaled Rs.51,627,936. As such a difference of Rs.3,646,872 was observed.

### **1.3.3 Accounts Receivable and Payable**

The value of the balances of Accounts Receivable older than one year as at 31 December 2012 amounted to Rs.1,942,225 and the Accounts Payable older than one year amounted to Rs.37,701,118.

### **1.3.4 Lack of Evidence for Audit**

Eight items of accounts amounting to Rs.113,807,776 included in the accounts could not be satisfactorily vouched in audit due to the unavailability of evidence.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.2,296,972 as against the excess of recurrent expenditure over the revenue amounting to Rs.7,311,174 for the preceding year.

### **2.2 Revenue Administration**

#### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

The information on the estimated revenue, the actual revenue and the arrears of revenue to the year under review as presented by the Chairman is given below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	755	445	827
(ii.) Lease Rents	3,711	3,371	526
(iii.) Licence Fees	1,449	811	21

#### **2.2.2 Rates**

The number of properties for which rates are paid in the 03 areas of Nawimana, Makawita, Kekandura and Wewa hamanduwa in the area of authority of the Sabah had been 3,101 and the recovery of rates had been at a very weak level and the areas of those arrears as at the end of the year amounted Rs.757,249.

### **2.2.3 Court Fines and Stamp fees**

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i.) Court Fines	360,000
(ii.) Stamp Fees	900,000

### **2.3 Irregular Transactions**

- (a.) According to the provisions in the Notification published in the Gazette Extraordinary No.1807/2 of the Republic of Sri Lanka dated 22 April 2013 travelling allowance can be obtained only for the activities assigned as a representation of the general public/activities assigned by the Sabha. Nevertheless, travelling allowance amounting to Rs.603,000 had been paid to 18 members in the year under review without assigning any such activities.
- (b.) According to the General Letter No.SLG/G/05/06 dated 23 August 2008 of the Commissioner of Local Government, the payment of telephone bills, telephone connections through cards should be established and purchase and supply Rs.1,000 cards monthly, Instead of taking action accordingly a sum of Rs.234,000 had been paid in the year under review at the rate of Rs.19,500 paid monthly on one voucher.
- (c.) According to the provisions in the Notification of the Southern Provincial Chief Minister and the Minister in charge of the subject of Local Government published in the Gazette Extraordinary No.1413/15 of 05 October 2005 it is specified that allowances should not be paid to members who had do not attend the monthly meetings and the Committee meetings of the Sabha in terms of Rule 7.3(1)(1) and members who had not submitted redial certificates. Nevertheless, a sum of Rs.65,000 had been paid in the year under review to 10 members contrary to that rule.

## **2.4 Operating inefficiencies**

The following observations are made.

### **2.4.1 Deployment of Vehicles of the Road Maintenance Unit**

- (a.) The JCB Machine, the road roller and the tractor of the Road maintenance Unit had been deployed over a long period on the basis of recovery of money later. There was a long delay in the recovery of money.
- (b.) These vehicles had been given to different person on the intervention of the members while the Sabha had also given those to individuals. A sum of Rs.494,089 comprising Rs.305,369 for the JCB Machine, Rs.175,000 for the road roller and Rs.13,720 for the tractor remained recoverable as at 31 December 2012.

### **2.4.2 Interest on Property Loans**

According to Paragraph 11.5 of the Public Administration Circular No.08/2005 of 31 May 2005, the difference between the Bank interest rate and the 4 per cent recovered from the officer will be borne by the Government. Even though a sum of Rs.1,203,090 had been paid from the Sabha Fund as at the end of the year under review on the loans obtained by 09 officers, reimbursement of that money had not been obtained even up to 25 September 2013.

### **2.4.3 Maintenance and Control of Street Lamps**

Even though it was informed by the letter No.PE/01/01 dated 17 August 2010 of the Secretary to the Ministry of Power and Energy there 3 per cent of the general purpose consumption in the area of authority should not be exceeded, the Sabha had not taken action to compute that limit and enter agreement with the Ceylon Electricity Board for the installation of street lamps.

### **2.4.4 Corporate Plan and Action Plan**

Even though a Corporate Plan at least for a period of 03 years from the year 2010 and onwards had been prepared in terms of the letter no.PF/R/2/2/3/5(4) dated 10 March 2010

of the Director General of Public Finance and Action Plan for the achievement of the matters included in the Corporate Plan had not been prepared.

#### **2.4.5 Submission of Declaration of Assets and Liabilities**

Six members of the Sabha including the Vice Chairman of the Sabha had not been submitted the Declarations of Assets and Liabilities even for the year 2012 in terms of the Declaration of Assets and Liabilities Law, No.1 of 1975 as amended by the Amendment Act No.74 of 1988.

### **2.5 Human Resource Management**

#### **2.5.1 Approved Cadre**

- (a.) The commissioner of local Government had reimbursed a sum of Rs.12,438,000 in the year under review as the salaries of for the approved and the actual cadre of 40 of the Sabha as at 31 December 2012 and the members' allowance. The expenditure on salaries for the year amounted to Rs.24,068,021 and as such a sum of Rs.11,630,021 had become an additional burden to the Sabha Fund.
- (b.) According to the Management Service Circular No.14 of 03 January 2002 and No.28 of 10 April 2006 the recruitment of casual substitute and contract employees by Local Authorities had been stopped. Contrary to such provisions. 23 employees had been recruited and a sum of Rs.5,491,096 had been paid from the Sabha Fund as salaries. It had been emphasized that it recruitments are made contrary to the provisions, the Head of institution is personally responsible in that connection.

### **2.6 Internal Audit**

A separate Division for the internal audit works of the Sabha had not been established while a person qualified for the purpose had not been appointed. Attention had not been paid to paragraph 8 of the Circular No.3 dated 08 November 2005 of the Secretary to the Ministry of Local Government and Provincial councils in connection with the Internal audit of the Sabha.

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management