

Matara 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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Financial statements for the year under review had been presented for audit on 20 May 2011 and the financial statements for the preceding year had been presented for audit on 06 May 2010.

1.2 Opinion  
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In view of my comments and observations appearing in this report. I am unable to express an opinion on the Financial Statements of the Matara Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

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.

- (a) Although according to the staff security register, staff security investment value amounted to Rs.17,067, it had been stated in the financial statements as Rs.2,000 thus difference was Rs.15,067.
- (b) Over recovery of staff loan amounting to Rs.800 is to be stated under current liabilities and it had been stated in the financial statements under receivable accounts.
- (c) Although the balances of revenue contributed to the capital outlay account as at 31 December 2009 amounted to Rs.71,867,673 and by stating Rs.74,867,673 as opening balance of the year under review thus difference was Rs.3,000,000.
- (d) When entering Opening balances of the fixed deposits amounted to Rs.1,353,098 into the ledger stated as Rs.1,233,097 and difference of Rs.120,000 arised.
- (e) Payable value of the Capital Expenditure Account of the year under review amounted to Rs.16,374,675 whilst according to the financial statements presented of the year under review value amounted to Rs.16,528,687 thus difference was Rs.154,012.

- (f) The value of 4 physical exercise equipment and a set of equipment of weight lifting had not been assessed and brought to account, this had been received as donations and was lying at store room without being used since 2008.
- (g) The value of four constructions amounted to Rs.1,974,916 and completed at the end of the year had not been stated as fixed assets in the financial statements.
- (h) Receivable amount of Rs.31,362 for trade licences at the end of the year under review had been omitted from the accounts.
- (i) According to the cash book at the end of the year under review the balance in the bank account No.1-51-006387-9 amounted to Rs.212,929 although it had been stated as Rs.4,818 in the financial statements, thus difference was Rs.208,111.

#### 1.3.2 Inappropriate Disclosures

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The following inappropriate disclosures wear observed.

A fiber work stock valued at Rs.195,877 being brought forwarded since 1993, had been stated in the financial statements as recoverable utility services.

#### 1.3.3 Accounts Payable

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- (a) The value of accounts payable remained outstanding for more than 01 year as at 31 December 2010 amounted to Rs.15,278,752.
- (b) The payable contribution to the Local Government Pension Fund by the Sabha amounted to Rs.1,519,796 as at 31 December 2010 had not been stated in the financial statements.

#### 1.3.4 Lack of Evidence for Audit

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The transactions valued at Rs.151,703,682 could not be satisfactorily vouched in audit due to non-availability of information required.

#### 1.3.5 Non-compliances

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The non-compliances with Laws, Rules, Regulations etc. observed in audit are given below.

| Reference to the Laws, Rules, Regulations etc.            | Non-compliance   |
|---|--|
| (a) Pradeshiya Sabha (Financial and Administrative) Rules |  |
| (i) Rule 193  | A statement of explanation on excesses and deficiencies after reconciliation of actual balances of expenditure items with supplementary and budgetary expenditure had not been furnished for audit.  |
| (ii) Rule No. 217-218                                     | No survey had been conducted for the lands and buildings owned by the Sabha for the year under review.   |
| (b) Financial Regulations of the Republic of Sri Lanka    |  |
| (i) F.R. 387  | (a) Although no government bank accounts must be overdrawn in contravention to that overdrafts had been obtained from 04 bank accounts due to this a sum of Rs.12,123 had been paid as interest in the year under review.<br><br>(b)As per Financial Regulation, bank overdraft facilities should not be taken by Government Institutions. Overdraft had been arisen in each book relating to bank account No.032100102475915 and No.032100122475919 at the end of the year as Rs.188,003 and Rs.924,071 respectively. |
| (ii) F.R.395  | Without settlement unidentified balances amounting to Rs.73,000 and over deposits amounting to Rs.66,179 had been shown in the bank reconciliation relating to the Bank Account No.032100102475915.  |

- (iii) F.R.507  
A physical verification as at the last date of the year should be made for the purpose of bringing into the annual accounts the value of stocks-in-hand and a statement relating to the existence of fixed assets to be forwarded to the Auditor General. It had not been done.
- (c) Treasury Circular  
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No. IAI/2002/02 dated 28 November 2002 of the Secretary to the Treasury.  
No fixed assets register maintained in connection with 14 computers owned by the Sabha and lying at Mahinda Wijesekara Computer Centre, Office and Nanasala.
- (d) Establishment Code of the Republic of Sri Lanka, Section 4.2.3 of Chapter xxiv  
When making Loan payment to the officers attached to the Pradeshiya Sabha in 2010, the loan application and relevant forms to be duly filled and presented by the officer himself whilst payments to be made after due secreting and was observed that payments have been made without approval of the Head of the Department.
- (e) Public Administration Circular No. 3/1/1-1 dated 11 June 1999  
The solemn affirmations had not been furnished by Loan recipients for the loans paid in 2010.
- (f) Public Administration circular No.1/99 dated 09 April 1999.  
The cash limit had been revised to be furnished security by the state officers as implemented from 01 January 1996 and 06 officers and employees had not been furnished security accordingly.

2. Financial and Operating Review  
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2.1 Financial Results  
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According to the Financial Statements presented recurrent expenditure over revenue of the Sabha for the year ended 31 December 2010 amounted to Rs.3,153,562 whilst as against the revenue over recurrent expenditure for the preceding year amounted to Rs.39,574.

2.2 Revenue Administration  
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2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue  
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Even though the Chairman was requested by my letter of 23 February 2011 to present the revenue, actual receipts and arrears of revenue relating to the year under review and preceding year had not been presented for audit. However, according to the arrears of revenue statement as presented with financial statements the position as at 31 December 2010 compared and summarized with that preceding year is given below.

| Description<br>----- | Arrears of Revenue<br>----- |                         | Increase as a<br>percentage<br>----- | Decrease as a<br>percentage<br>----- |
|----------------------|-----------------------------|-------------------------|--------------------------------------|--------------------------------------|
|                      | 2010<br>-----<br>Rs'000     | 2009<br>-----<br>Rs'000 | %                                    | %                                    |
| Rates                | 592,220                     | 579,148                 | 2.25                                 | -                                    |
| Acreage Tax          | 15,482                      | 38,819                  | -                                    | 60.11                                |
| Other Revenue        | 39,107,885                  | 33,950,334              | 15.15                                | -                                    |

Arrears of Rent and Fees  
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Action had not been taken to recover the recoverable arrears of revenue amounted to Rs.39,715,587 according to the Provisions of Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987 relating to the year under review and preceding year.

2.2.2 Court Fines  
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Court Fines amounting to Rs. 200,000 collected and remitted to Chief Secretary up to 31 December 2010 by Magistrate Court under various Ordinance were receivable by the Sabha.

2.2.3 Stamp Fees  
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A sum of Rs. 5,000,000 was receivable as at 31 December 2010 from the Registrar General as stamp fees.

2.2.4 Trade Stalls given on Rent  
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(a) As per conditions of agreement 5.2.23, the agreement period had elapsed of 8 trade stalls out of 14 trade stalls including 04 old stalls and 11 trade

stalls of Kakanadura Swarnapura owned by the Sabha whilst 07 trade stalls had been closed without engaging any business activity.

- (b) Due to this, competition in the market had been reduced, there by no service was fulfilled to the consumers Community . And also, it was observed that expenditure incurred for the construction of trade stalls had not utilized for the public well - being.
- (c) Rent amounting to Rs. 9,000 and lump sum arrears of Rs.263,718 had not been recovered even as at 02 June 2011 from stall No. 04 and 05 respectively.
- (d) In contravening to paragraphs to paragraphs 5.25, 5.2.15 and 5.2.19 of the trade stall rent agreement sub - lease given and changes to the trade stalls had been done.
- (e) Although it had been stated that possession of trade stall or any portion of it should not be given sub-lease or transferred or sold to other person by the renter without prior approved of the Chairman/Secretary as per Section 5.2.5 of the rent agreement, the trade stall No.01 had been given sub-lease to the some other person for the amount of Rs.6,000 by the lessee.
- (f) Action had not been taken as per procedure Nos.4,5,6,7 and 11 of the Circular No. ÷À. û/û\$. /û. û\$. µæ\$. 2010/01 dated 27 December 2010 of the Southern Province Commission of Local Government in connection with trade stalls give on rent owned by the Local Government Institutions.

#### 2.2.5 Telephone/Telecommunication Tower Charges

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The following matters were observed in connection with telephone and telecommunication towers installed within the area of authority of the Sabha.

- (a) Although process cost amounting to Rs.110,000 is to be recovered when issuing development licence for the telecommunication towers as per No.06(ii) of the Schedule V of the letter No.05/2/1/384 dated 16 December 2008 of the Director General of the Urban Development Authority, the recoveries of that amount could not be ascertained as no revenue recoveries register or a file including information were maintained.
- (b) As per No.07(v) of above letter, although telecommunication towers now being implemented and compliance certificates were not issued for those and the recoverable amount was Rs.10,000.



2.4 Human Resources Management

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Approved and Actual Cadre  
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Particulars of the approved and actual cadre of the Sabha as at 31 December 2010 are shown below.

| Category of Employee      | Approved | Actual | Deficiency | Surplus |
|---------------------------|----------|--------|------------|---------|
| -----                     | -----    | -----  | -----      | -----   |
| Staff                     | 01       | -      | 01         | -       |
| Secondary                 | 17       | 14     | 03         | -       |
| Primary                   | 28       | 26     | 02         | -       |
| Others (Casual/Temporary) | -        | 43     | -          | 43      |
|                           | -----    | -----  | -----      | -----   |
|                           | 46       | 83     | 06         | 43      |
|                           | ====     | ====   | ====       | ====    |

- (a) Although a sum of Rs.9,864,000 had been reimbursed by the Commissioner of Local Government for staff salaries during the year under review and expenditure amounted to Rs.19,173,404 thus difference of Rs.9,309,404 had to be borne by the Sabha.
- (b) Although the recruitment of employees on casual, temporary, substitute, contract basis had been suspended by Management Services Circular No.28 of 10 April 2006 of Secretary to the Treasury. In contravention to those provisions 43 employees had been recruited and a sum of Rs.7,654,647 was paid as salaries out of the Sabha fund for the period since 01 January 2010 up to 31 December. It had been emphasized that, if the recruitments done by superseding the Circular's instructions, the Head of the Institution should be held responsible personally.

2.5 Assets Management

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2.5.1 Idle assets  
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A electric generator machine purchased for the amount of Rs.675,000 in 2006 and fibre stock valued at Rs.90,386 being carried forwarded in the accounts before 2009 were lying idle up to date of audit on 2 June 2011.

2.6 Accounts Receivable

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The value of accounts receivable as at 31 December 2010 amounted to Rs.39,715,587.



2.7 Staff Loans Recoverable

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Staff Loans balances recoverable as at 31 December 2010 amounted to Rs.1,504,058 and a sum of Rs.7,300 remained outstanding for long period from six officers who left the service, retired and transferred.

2.8 Operating Inefficiencies

2.8.1 Non-implementation of By-Laws

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There were 17 registered bakeries are being carried out within the area of authority of Matara Pradeshiya Sabha and the following matters were revealed at the field inspection done with the Revenue Inspector of the Sabha on 02 June 2011 in respect of two bakeries selected as a sample.

- (a) The authority had been vested to the Pradeshiya Sabha from Section 122 and 126 read in conjunction with Section 221 (a) of the Pradeshiya Sabha Act. No.15 of 1987 to make By-Laws included with provision on those drafts made by the Minister of Local Government under Section 2 of the Local Government Institutions(Standard By-Law) Act No.6 of 1952 from Gazette Notice No.520/7 dated 23 August 1988.
- (b) Action had not been taken as By-Laws relating to bakeries within the area of the authority of the Sabha Nos. 16.3.2(b), 16.3.3(b), 16.5, 16.6., 16.8, 16.22, 16.23 and 16.26.
- (c) The bakeries examined were very unclean condition, although Public Health Inspectors of the area of the authority of the Sabha had not been examined those bakeries.

2.8.2 Street Lights Maintenance

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The following information were revealed at the audit inspection carried out in respect of maintenance of street light within the area of authority of the Sabha.

- (i) When purchasing electrical accessories in connection with street light maintenance, the request for the electrical technician and approval of the technical officer required for the purchases. However, no such procedure was adopted.
- (ii) No number or Code system is functioning to identify separately maintenance of each street lights within the area of authority of the Sabha and also, no register had been maintained in respect of fixing electrical bulbs and other accessories.

- (iii) The entire amount requested by the Sabha from the Ceylon Electricity Board for the period since 2006-2010 in respect of maintenance of street lights had not been received and the arrears receivable as at 31 December 2010 was Rs.141,296.

### 2.8.3 Identified Losses

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The loss had been occurred to the Sabha by paying addional sum of Rs.8,342 to the Electricity Board in respect of regaining disconnected electricity connection due to evading payments of electricity bills amount of Rs.12,380 for the Nawimana North Community hall for the years 2009 and 2010.

### 2.8.4 Vehicles Control

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- (a) The information relating to purchase of new equipment, making services, Change of tyres and tubes etc. Could not be properly identified as no log books were maintained. The officer in charge of vehicles had not confirmed and certified vehicles repairs by way of putting his signature.
  - (b) Issue of fuel had been done from the stock of 500 litre by the Sabha. The custody of fuel given to a substitute labourer. It was observed that due to this decrease and increase had affected to the entieres of receipts and issues of fuel and balancing in the register .

### 2.8.5 Recovery of Charges for sub-division of lands and Receipts in land blocks for general amenities

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The following matters were observed.

- (a) As per directive 22(1) of the Gazette Notification No.392/9 dated 10 March 1986 of the Authority and paragraph 2.1 in the Development Regulations Circular No.06 dated 30 September 1992 of the Chairman of the Urban Development Authority, if the extent of land portion or land is more than a hectare the separation to be done from the suitable land not less than 10% excluding streets for the community and entertainment affairs. However, it was observed in audit there were instances of non-compliance of said provisions with regard to the separations.

The Sabha had not received 15.77 perches valued at Rs.232,967 from Swarnapura sunny side land project located at the Talpawila, Matara and 54.29 perches valued at Rs.918,353 from land (Golden City) Kahatagahawatta, Talpawila whilst 193.42 perches received in less from Silvadale Estate land.

- (b) A sum of Rs.631,736 from Sunnyside Estate located at Talpavila and also, a sum of Rs.134,819 from silverdale Estate, Kekanadura east had not been recovered 1% tax when selling lands in subdivision as per Section 154(1) of the Pradeshiya Sabha Act No.15 of 1987 and above Regulation Circular No.06:(vi). Also, no any amount had been recovered from such three lands.
- (c) The compliance certificates were not given for subdivision of five lands as per paragraph vii in the schedule v of Gazette Notice No.1597/8 dated 17 April 2009. Although, the instances of which a certificate had not been taken the charges to be recovered as Rs.50 per day from the date of beginning of the sale and it had not been done.
- (d) Although the relavent portion to the Sabha to be allocated from the excellent place without rocky, marshy and slope. It was observed that it had not been taken place and many portions of land received were in marshy rocky and slope.
- (e) There were instances of road and drainage construction and maintenance of those and supply of electricity water within the area of authority of Sabha had not been done in due standard as per conditions imposed by the Committee of land Subdivision.

2.9 Internal Audit

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An adequate internal audit had not been carried out in the Institution.

3. systems and Control

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Control
- (d) Stores Control
- (e) Human Resources Management













