

Mulatiyana 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 30 May 2013 and the financial statements for the preceding year had been presented on 19 July 2012. The report of the Auditor General for the year under review was forwarded to the Chairman of the Sabha on 23 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 Mulatiyana 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 opening credit balance of the Suspense Account amounting to Rs.36,289 according to the financial statements of the Sabha for the year under review had been credited to the Accumulated Fund by Journal No.15 without any basis.
- (b.) The Bank direct debits amounting to Rs.958,295 shown in the Bank Reconciliation from the year 2011 had been credited to the Accumulated Fund Account by Journal No.33 without the being identified.
- (c.) Even though the stamp fees receivable in respect of the year amounted to Rs.3,887,170 a sum of Rs.5,653,920 had been received in the year under review. The excess receipt of Rs.1,766,750 had not been adjusted in the financial statements.

- (d.) The Courts fines receivable in respect of the year under review amounting to Rs.192,349 had not been brought to account under revenue.
- (e.) The revenue amounting to Rs.578,073 receivable in the year under review as trade stall rents, lease rents and the fair rents had not been shown in the account.

1.3.2 Unreconciled Control Accounts

The balances of 09 items of account for the year under review according to the relevant Control Account totaled Rs.13,531,652 whereas according to the financial statements those balances totaled Rs.13,746,476, thus indicating a difference of Rs.214,824.

1.3.3 Accounts Receivable and Payable

The balance older than one year out of the balances of accounts receivable as at the end of the year under review totaled Rs.269,168 and the balances older than one year out of the accounts payable totaled Rs.95,519,394.

1.3.4 Lack of Evidence for Audit

Eight items of account valued at Rs.123,543,049 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 a surplus of Rs.3,464,683 as against the excess of recurrent expenditure over the revenue amounting to Rs.7,357,242 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, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	49	41	8
(ii.) Lease Rent	2,649	2,563	86
(iii.) Licence Fees	582	766	184
(iv.) Other Revenue	12,247	6,279	5,968

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	192,549
(ii.) Stamp Fees	3,858,022

2.4 Irregular Transactions

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 the members who do not attend the monthly meetings and the Committee meetings of the Sabha. Nevertheless, a sum of Rs.138,000 had been paid from the Sabha Fund to 11 members who had not attended 11 meetings in the year 2012.

2.5 Operating inefficiencies

The following observations are made.

- (a.) A sum of Rs.70,000 received for 02 projects from the Members Provisions of the Southern Provincial Development Plan 2012 had not been spent.
- (b.) Twelve members of the Pradeshiya Sabha including the Chairman and Vice Chairman had not submitted the Declarations of Assets and Liabilities 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.
- (c.) The approved cadre of the Sabha as at 31 December 2012 had been 29 and the actual cadre had been 41. The commissioner of Local Government had reimbursed a sum of Rs.8,490,950 in the year under review as the staff salaries and members allowance and expenditure on salaries for the year amounted to Rs.10,424,940. Accordingly an excess recruitment of Rs.1,933,990 had been made.
- (d.) The balances of staff loans and advances recoverable as at 31 December 2012 totaled Rs.2,353,587.

2.6 Idle Assets

The concrete mixer purchased for Rs.150,000 in the year 2008 had been kept unused up to 02 October 2013 without being used.

2.7 Internal Audit

An adequate internal audit of the institution had not been carried out and the Audit and Management Committee had not been appointed in the year under review.

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