

**Mulatiyana 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 under review had been presented to the Audit on 24 March 2017 and the financial statements for the preceding year had been presented to the Audit on 15 March 2016 and the Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 26 July 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the Mulatiyana Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with the 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 observations were made.

- (a) A sum of Rs. 474,496 receivable under Provincial Specific Development Plan had been omitted from accounts.
- (b) The payable amount of Rs. 921,647 with relating to 03 contracts had been understated in accounts.
- (c) Fixed assets aggregating Rs. 1,800,912 had not been capitalized.
- (d) Receivable stamp fees revenue of Rs. 4,192,341 had been overstated in financial statements.
- (e) Provisions had not been made in financial statements for audit fees for the year under review.

**1.3.2 Unreconciled Control Accounts**

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Differences totaling Rs. 4,767,646 were observed between the balances of 07 items of account shown in the financial statements and the balances appearing in the subsidiary registers / schedules relating thereto.

### **1.3.3 Suspense Account**

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Actions had not been taken even in the year under review to adjust and settle accounts by identifying credit balance of Rs. 36,289 in suspense account which was continuously carrying forward in accounts from the year 2013 without taking steps to settle.

### **1.3.4 Accounts Receivables and Payables**

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The following observations were made.

- (a) Balances over 02 years period of Rs. 962,550 had been included in tender deposits balance aggregating Rs. 1,682,612 as at the end of the year under review.
- (b) Six balances over 03 years period of Rs. 224,900 had been included in rent control account balance aggregating Rs. 523,479 as at the end of the year under review.
- (c) Actions had not been taken to settle the unidentified balance of Rs. 31,248,246 which was included in arrears sundry income balance remaining prior to the year 2014.

### **1.3.5 Lack of Evidence for Audit**

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In view of the failure to produce evidence such as title deeds, the reports of the annual boards of survey and schedules for fixed assets totaling Rs. 29,797,688, schedules for sundry deposits totaling Rs. 1,163,692, detailed schedules, confirmation of balances and the registers of debtors for arrears sundry income totaling Rs. 31,248,246, schedules confirmation of balances and age analysis for creditor balances totaling Rs. 3,080,472 those could not be satisfactorily examined in audit.

## **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 the recurrent expenditure for the year ended 31 December 2016 amounted to Rs. 11,255,523 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 13,430,062. The financial results for the year under review indicated a deterioration of Rs. 2,174,539.

## **2.2 Analytical Financial Review**

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The following observations were made.

- (a) It was observed that the expenditure was in higher level as compared with Sabha revenue due to the total recurrent expenditure represented more than 74 per cent of the total recurrent revenue of the year under review.
- (b) The recurrent expenditure had been increased more than the Self-generated Revenue by significant amounts in the year under review as well as the previous two years and it was shown situation where recurrent expenditure could not be recovered at any mean from Self-generated Revenue.

## **2.3 Working Capital Management**

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It was observed that a liquidity position does not exist as per the current and quick ratios due to the existence of unrecovered balances older than 03 years was Rs. 31,248,246 in the arrears sundry income balance remained as at the year under review.

## **2.4 Revenue Administration**

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### **2.4.1 Acreage Tax**

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While there was opening arrears amounting to Rs. 66,488, and a sum of Rs. 88,175 had to be recovered including the billings of Rs. 21,687 of the year. The arrears balance as at the end of the year was Rs. 69,259 due to the total recoveries was Rs. 18,916.

### **2.4.2 Lease Rent**

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While there was opening arrears amounting to Rs. 483,580, and a sum of Rs. 3,337,665 had to be recovered including the billings of Rs. 2,854,085 of the year. The arrears as at the end of the year were Rs. 523,480 due to the total recoveries was Rs. 2,814,185.

### **2.4.3 Courts Fines and Stamp Duty**

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Courts fines amounting to Rs. 1,278,770 and the Stamp Duty amounting to Rs. 11,555,102 had been remained as receivable from the Chief Secretary to the Provincial Council and other Authorities as at 31 December 2016.

### **3. Operating Review**

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#### **3.1 Management Inefficiencies**

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Actions had not been taken to fill 04 secondary and primary posts and to streamline 11 excess in approved staff carder plan even as at the year under review.

#### **3.2 Idle and Underutilized Assets**

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The following observations were made.

- (a) The location of 02 lands belonging to the Sabha for Rs. 850,000 had not been identified and steps had not been taken to protect by making land marks in 09 lands amount aggregating Rs. 10,792,030.
- (b) A plant at a cost of Rs. 7,967,142 had been remained idle from the year 2015.

#### **3.3 Contract Administration**

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The following observations were made.

- (a) According to the budget estimate for the year under review, though 38 work proposals of Rs. 49,450,000 had been planned to implement under sundry provisions, no work proposal out of them had been implemented during the year.
- (b) The allocation of Rs. 3,650,000 receivable to Sabha had been lost due to non-reporting the progress by performing the relevant projects within a month after receiving the allocations of Rs. 1,000,000 which was given by Ministry of Provincial Council and Local Government.

#### **3.4 Solid Waste Management**

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A sum of Rs. 3,603,334 had been spent during the year under review for solid waste management with relating to salaries and allowances, fuel and vehicle repairs. The revenue generated from them was Rs. 69,624 and though non crumble waste had been dumped into a land belonging to the Sabha, the environment license had not been obtained this land.

#### **3.5 Environmental Impact**

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The revenue of Rs. 269,200 had been lost to the Sabha from 79 Business Institutions which was not taken the environment license during the year in accordance with the Gazette Notification No. 1533/16 dated on 25 January 2008.

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

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

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It was observed that the budget had not been made use of as an effective instrument of financial management control due to remaining the savings aggregating Rs. 7,019,014 in 08 expenditure votes included in the budget estimate for the year under review and non-achieving targets aggregating Rs. 6,313,740 in 03 revenue votes.

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

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An adequate internal audit had not been carried out as specified in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. SPLA/G/01/MCC dated 24 February 2014 of the Commissioner of Local Government of the Southern Province, a sum of Rs. 471,178 had been paid to the Internal Audit Officer deployed by the Sabha as salaries and allowances in the year under review.

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

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Collection
- (d) Assets Management