

Mulatiyana Pradeshiya Sabha
Matara District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 31 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Mulatiyana Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) The water bowser valued at Rs.715,714 and the skid steer loader machine, the value of which had not been assessed received as donations by the Sabha had not been capitalized.
- (b) Fixed assets totalling Rs.2,359,346 consisting of purchases and constructions executed under various provisions during the year under review had not been capitalized.
- (c) Provision for creditors amounting to Rs.2,425,400 had not been made for 5 industries not commenced under the funds of the Sabha even by end of the year under review.
- (d) Creditors payable amounting to Rs.218,426 and debtors amounting to Rs.63,322 as at end of the year under review had been overstated.
- (e) Provision for creditors had not been made for contributions of Rs.1,194,404 payable to the Local Government Pensions Fund.
- (f) The audit fees of Rs.119,122 paid for the previous year had been brought to account as an expenditure of the year under review.

- (g) The sum of Rs.50,000 returned due to cancellation of the work proposed to be carried out had been brought to account as capital expenditure.

1.3.2 Unreconciled Accounts

A difference of Rs.32,540,848 was observed between the balances of 08 items of accounts aggregating Rs.72,372,910 and the related subsidiary registers/schedules.

1.3.3 Suspense Account

The credit balance of Rs.36,289 in the Suspense Account which continued to be brought forward since 2013 without changes had not been identified and settled.

1.3.4 Accounts Payable

The balances of work creditors as at end of the year under review aggregated Rs.16,135,745. Of these, balances aggregating Rs.684,191 related to a period of over 03 years.

1.3.5 Lack of Necessary Documentary Evidence for Audit

Five items of accounts aggregating Rs.140,835,769 could not be satisfactorily vouched in audit due to non-remission of necessary information.

1.3.6 Non-compliance

1.3.6.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non - compliance -----
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules (i) Rule 193	A statement showing the cause of actual expenditure, excesses and shortages relating to Objects had not been furnished along with the budgeted and the supplementary estimates of expenditure.

(ii) Rule 199

The numbers of paid vouchers and the dates of purchases of goods had not been indicated against all entries of receipts appearing in the register of inventories or stock registers or any other register or book.

(iii) Rules 217 and 218

Action had not been taken to carry out annual board of survey relating to land and buildings of the Sabha.

2. Financial 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 2017 amounted to Rs.12,685,046 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.11,252,522.

2.2 Revenue Administration

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

The 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	2017				2016			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	281,000	22,342	15,892	76,231	721,299	25,988	109,984	69,781
Rent	4,166,200	4,547,260	4,592,409	478,331	2,836,957	4,734,929	4,695,029	523,480
Licence Fees	1,131,300	1,746,206	1,746,206	10,450	476,520	231,371	230,371	10,450
Other Revenue	16,670,500	15,716,053	13,666,819	14,918,074	13,852,730	9,321,712	5,331,192	12,868,840
Total	22,249,000	22,031,861	20,021,326	15,483,086	17,887,506	14,314,000	10,366,576	13,472,551

2.2.2 Performance in Collection of Revenue

The total revenue estimated for the year under review amounted to Rs.22,249,000 and the revenue billed amounted to Rs.22,031,861. The total amount recoverable amounted to Rs.35,504,412 along with the arrears at the commencement amounting to Rs.13,472,551. However, the total collection of revenue during the year amounted to Rs.20,021,326 resulting in a total arrears of Rs.15,483,086 as at end of the year.

2.2.3 Rates and Taxes

Acreage tax

The arrears at the commencement amounted to Rs.69,845 and the amount billed for the year amounted to Rs.22,342 and the amount recoverable amounted to Rs.92,187. The total recovery amounted to Rs.15,891 and as such the balance of arrears as at end of the year amounted to Rs.76,296.

2.2.4 Lease Rent

The arrears at the commencement amounting to Rs.487,400 together with the bills of the year amounting to Rs.4,517,850 resulted in receivables amounting to Rs.5,005,250. The arrears as at end of the year amounted to Rs.442,251 after the total recovery of Rs.4,562,999.

2.2.5 Court Fines and Stamp Fees

Court fines amounting to Rs.1,980,474 and stamp fees amounting to Rs.12,616,481 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review

3.1 Performance

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, health of the public, facilities, welfare etc.,

(a) Non achievement of the expected output level

Although a sum of Rs.14,400,000 had been provided in the budget to execute 48 work in 2017 by utilizing the funds of the Sabha and various provisions, 02 work of an estimated value of Rs.600,000 only had been executed during the year. 25 work valued at Rs.8,565,405 which had not been mentioned in the budget had been executed under various provisions.

(b) Solid Waste Material Management

The following matters were observed.

- (i) An expenditure of Rs.3,937,463 had been incurred on salaries and allowances, fuel and repairs to vehicles during the year under review on behalf of solid waste material management. Revenue amounting to Rs.51,250 had been earned by collection of garbage.
- (ii) Out of the 370,800 kilograms of garbage collected annually, 4,175 kilograms of fertilizer had been manufactured. 68 per cent of garbage from which carbonic fertilizer could not be manufactured had been disposed of, in a land belonging to the Sabha. However, environmental licence had not been obtained for the said land.

(c) Sustainable Development Target

The Sabha had identified the sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development. But, the indicators for measuring such objectives and targets had not been identified and the Sabha had not obtained the necessary financial provision.

3.2 Human Resources Management

The following matters were observed.

- (a) Although the approval of the Director of Management Services had been obtained to make recruitments for 05 vacancies in the approved cadre, recruitments had not been made.
- (b) An employee had been recruited contravening the Management Services circular No.3/2014 of 31 March 2014 of the Secretary to the Treasury. A sum of Rs.320,500 had been paid to him as salaries during 2017.

3.3 Operating Inefficiencies

Land had been auctioned by approving the block plans through survey No.6355 and 6355 A. However, the Sabha had not received 01 rood and 28.3 perches due to it. Meanwhile, the Sabha had received 01 rood less than what was due to it during an auctioneering of land.

3.4 Assets Management

3.4.1 Assets not Registered

- (a) The Thennahena land of 02 roods and 05 perches received by the Sabha for general activities had not been entered in a register. The title deeds of 07 lands of 24 acres and 2.8 roods had not been furnished for audit.
- (b) The Sabha had not obtained the title deeds of 01 acre 02 roods and 22 perches of land due to it on behalf of the land sold on auction through the land plan approved by survey No.240/1991. Further, these had not been entered in the register of fixed assets too.

3.4.2 Safety of Assets Not Ensured

Boundary fences had not been erected to safeguard 09 land of the Sabha valued at Rs.3,075,414.

3.5 Uneconomic Transactions

A day and night volleyball stadium had been constructed at Deiyandara National School which was not a property of the Sabha by spending Rs.2,403,725 under the Sri Lankan Youth Stadium Construction Project. It remained idle during the past 03 years. The contract for Rs.2,929,419 had been split into 02 stages contravening the procurement procedures and an agreement had been entered into with one society. A physical verification revealed that the stadium had been irregularly completed and a sum of Rs.360,000 had been paid for 02 items of work which had not been properly done.

4. Accountability and Good Governance

4.1 Budgetary Control

Significant variances were observed between the budgeted and the revenue and expenditure of the year under review. As such, it was observed that the budget had not been utilized as an efficient instrument of management control.

- (a) Savings in 07 items of expenditure aggregated Rs.9,768,140 which ranged from 14 to 100 per cent.
- (b) The adverse variance of one item of expenditure amounted to Rs.519,673 which was 26 per cent.
- (c) The adverse variances of 04 items of revenue aggregated Rs.8,038,390 which ranged from 07 to 92 per cent.

4.2 Internal Audit

Adequate internal audit had not been earned in terms of provisions in Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the circular No.දපප/යන/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government. The Auditor General had not been consulted while preparing the Internal Audit Programme in terms of Financial Regulation 134 and copies of internal audit reports had not been furnished to audit.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Revenue Administration
- (c) Budgetary Control
- (d) Contract Administration
- (e) Accounting