

Mulatiyana Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 12 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Machinery valued at Rs.499,991 received as donation from the Central Environmental Authority and furniture and equipment purchased for Rs.549,780 during the year under review had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify while preparing the accounts for 2019.
(ii) The land and buildings of the Sabha valued at Rs.356,350 and constructions and modernizations under various provisions valued at Rs.4,065,764 as at end of the year had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify while preparing the accounts for 2019.

(iii) General supply Creditors had been overstated by Rs.66,178 as at end of the year under review.	Should be correctly brought to account.	Action will be taken to rectify while preparing the accounts for 2019.
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(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Variations aggregating Rs.35,764,191 were observed between the balance of 09 items of accounts included in the financial statements and the related subsidiary registers/ schedules.	Action should be taken to reconcile the variations in balances concerned and make rectifications.	Action will be taken in future to rectify these long outstanding variations.

(c) Suspense Account

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A credit balance of Rs.36,289 continues to be brought forward in the accounts since 2013 without any change. Steps had not been taken even during the year under review to Identify it, make adjustments concerned and to settle the account.	Suspense Account should be settled.	Unable to find out as these are long outstanding balances.

(d) Lack of Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Five items of accounts aggregating Rs.127,491,823 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm balances in the financial statements should be furnished.	Action will be taken to rectify in future.

1.4 Non-Compliance

1.4.1 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	Recommendation	Comments of the Accounting Officer
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(a) 1988 Pradeshiya Saba (Finance and Administration) Rules			
(i) Rule 143	The monthly total of the Refundable deposit Ledger had not been adjusted with the Main Ledger Account to the rules.	Action should be taken according to the rules	Non reconciliation of the monthly total of the Deposit Ledger with the Main Ledger Account is a continuous occurrence
(ii) Rule 193	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a statement showing surpluses and deficits had not been furnished.	Action should be taken according	Action will be taken to rectify in future.
(iii) Rules 203 and 204	A survey of consumer goods had not been carried out.	Action should be taken according to the rules.	Action will be taken to rectify in future.
(iv) Rule 213	Stores goods had been Issued without an Issue order signed by	Action should be taken according to the rules.	Action will be taken to rectify in future.

the Secretary of the
Sabha.

Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka

(i) F.R. 110	The register of losses and damages had not been updated.	Action should be taken according to the Financial Regulation.	Action will be taken to update the register of losses and damages. In future.
(ii) F.R. 571	Action had not been taken regarding 18 lapsed deposits of Rs.137,850.	Action should be taken according to the Financial Regulation.	Action will be taken according to the Financial Regulation in future.
(iii) F.R. 396	Action had not been taken regarding 11 cheques amounting to Rs.35,964 which had lapsed 06 months since their dates of issues.	Action should be taken according to the Financial Regulation.	Action will be taken in future to credit cheques to revenue immediately after the expiry of the required period.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December of the year under review amounted to Rs.6,673,497 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,685,046.

2.2 Revenue Administration

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

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	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	626,000	1,393,058	1,393,058	76,231	281,000	22,342	15,892	76,231
Rent	4,445,600	4,963,939	4,057,086	1,385,184	4,166,200	4,547,260	4,592,409	478,331
Licence Fees	1,100,540	597,502	597,502	10,450	1,131,300	1,746,206	1,746,206	10,450
Other Revenue	12,188,750	12,482,503	10,653,369	16,747,208	16,670,500	15,716,053	13,666,819	14,918,074
Total	18,360,890	19,437,002	16,701,015	18,219,073	22,249,000	22,031,861	20,021,326	15,483,086

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Acreege Tax The arrears at the commencement amounting to Rs.76,295 added to the billings of the year amounting to Rs.22,298 had resulted in receivables amounting to Rs.98,593. The arrears at the end of the year amounted to Rs.83,528 as the total recoveries during the year amounted to Rs.15,065. Action had not been taken In terms of Section 158(1)(a) of the Pradeshiya Sabha Act to recover arrears of revenue.</p>	<p>-----</p> <p>Recovery of arrearsof revenue should be intensified.</p>	<p>-----</p> <p>Necessary action is being taken to survey properties and to recover arrears of acreage tax.</p>

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>(a) The arrears at the commencement amounting to Rs.478,331 added to the billings of the year amounting to Rs.4,963,939 had resulted in receivables amounting to Rs.5,442,270. The total recoveries during the year amounted to Rs.4,057,086. As such, the arrears as at end of the year amounted to Rs.1,385,184.</p>	<p>-----</p> <p>Recovery of arrears of rent should be intensified.</p>	<p>-----</p> <p>Action will be taken in future to recover the balance of arrears.</p>
<p>(b) The lease rent of Rs.40,000 recoverable as at 31 December of the year under review from the building where Ransegoda sub office of the Divisional Engineer's office of the Southern, Provincial Road Development Authority functions had not been recovered.</p>	<p>Recovery of arrears of rent should be intensified.</p>	<p>Action will be taken in future to recover the arrears of revenue.</p>

(c) The arrears of stall rent due from 41 stalls of the Sabha as at 31 December of the year under review amounted to Rs.598,907. Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act to recover the arrears of revenue concerned.

Recovery of arrears of rent should be intensified.

Action will be taken in future to recover the balances of arrears.

2.2.4 Licence Fees

Audit Observation

Licence fees had not been recovered from the date of installation up to now from 03 companies which had installed 03 telecommunication towers

Recommendation

Action should be taken to intensify recovery of arrears of revenue.

Comments of the Accounting Officer

Informed in writing for recovery of licence fees.

2.2.5 Court Fines and Stamp Fees

Audit Observation

Court fines of Rs.1,087,273 and stamp fees of Rs.15,649,999 were receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities

Recommendation

Action should be taken to intensify recovery of arrears of revenue.

Comments of the Accounting Officer

Court fines of Rs.50,585 was due upto December 2018 as per schedule. According to the schedule of stamp fees received, the arrears upto April 2017 amounted to Rs.3,551,240. Stamp fees schedule had not been received after April 2017.

3. Operating Review

3.1 Human Resources Management

Vacancies and Excesses in the Cadre

Audit Observation

Action had not been taken even upto end of the year under review to fill 03 vacancies in the cadre and to regularize 03 excesses.

Recommendation

Action should be taken to regularize the excesses and fill the vacancies in the cadre.

Comments of the Accounting Officer

Southern Provincial Council had been intimated for regularizing the excesses.

3.2 Operating Inefficiencies

Audit Observation

(a) According to the circular No දපසා/පසාකො/2010/01 of 27 December 2010, whenever an agreement is cancelled due to breach of conditions by the lessee, fresh tender should be called for and lease of stalls should be handed over to the new lessee. However, the Sabha had only taken over the keys from 10 stall holders who had not paid their rent.

Recommendation

Agreement should be cancelled and fresh tenders called for during breach of agreement.

Comments of the Accounting Officer

Keys had been taken over from 10 stalls of the Makandura Public Market while there were arrears and as such arrears had been shown in the register. Action is being taken to recover arrears from the remaining 13 stalls.

(b) An expenditure of Rs.380,921 had been incurred on laying carved stones in the fair premises in 2015 under the Provincial Specific Development Programme in order to conduct the Gombandala Week End Fair in a land belonging to the Mulatiyana Divisional Secretariat. However, action had

Action should be taken to conduct the fair in a revolving method.

Nobody had responded for the tenders called for in the year 2017. Tenders had not been called for in the year 2018. Action is being taken to conduct the fair in 2019.

not been taken to earn revenue upto now.

3.3 Assets Management

3.3.1 Safety of Assets not Ensured

Audit Observation

Action had not been taken to demarcate boundaries of land belonging to the Sabha and to fix name boards in the respective land as required by the Circular No. 433/15 of 19 March 2007 of the Southern Commissioner of Local Government

Recommendation

Action should be taken according to the circular.

Comments of the Accounting Officer

Action will be taken to fix name boards after solving the unresolved land. Name boards of Sabha are in existence in the newly acquired land. The necessary estimates had been referred to the Technical Service Officer.

3.3.2 Idle/Under Utilized Assets

Audit Observation

Two lands of 01 acre and 40 perches of the Sabha remained idle without being used beneficially.

Recommendation

Land and buildings of the Sabha should be beneficially utilized.

Comments of the Accounting Officer

Action is being taken to demarcate boundaries of the land concerned and to plant cinnamon and to develop the buildings as multi purpose buildings.

3.4 Identified Losses

Audit Observation

The value of equipment in 03 mobile stalls given on rent amounting to Rs.89,386 had not been returned to the Sabha. As such, a sum of Rs.20,000 only had been recovered

Recommendation

Recovery of balance should be expedited.

Comments of the Accounting Officer

Action will be taken to expedite recovery of balance.

by 20 February 2019. Action had not been taken to recover the balance sum of Rs.69,386.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Savings in 07 objects aggregated Rs.5,706,507, which ranged from 08 to 40 per cent.	Feasible annual estimates should be prepared.	Details of specific expenditure that could be incurred on behalf of each Item of expenditure had been included in 2019. Action will be taken to include details of revenue too in order to rectify this position.
(b) Targets not achieved regarding 02 items of revenue aggregated Rs.654,263 which ranged from 46 to 63 per cent.	Feasible annual estimates should be prepared.	Details of specific expenditure that could be incurred on behalf of each Item of expenditure had been included in 2019. Action will be taken to include details of revenue too in order to rectify this position.

4.2 Internal Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Adequate internal audit had not been carried out in terms of provisions in Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the Circular No. දළපා/යහ/01/න.ව.ලේ. 0of 24 February 2014 of the Southern	Action should be taken according to Financial Regulations and Circulars.	List of duties had not been assigned to the Internal Audit officer. His duties include other duties too apart from the internal audit activities. Monthly, Quarterly, half yearly and

Commissioner of Local Government.
The consent of the Auditor General had not been obtained for preparation of the Internal Audit Programme in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to the Auditor General

annual internal audit reports only had been prepared according to the internal audit plan to be furnished to the Management.