

Muthur Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to audit on 13 May 2014 and the Financial Statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 25 February 2015.

1.2 Opinion

In my opinion except for the effects on the Financial Statements of the matters referred to in paragraph 1.3 of this report the Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Muthur Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a.) The library books purchased at Rs.400,007 on had not been accounted for.

- (b.) Provisions had not been made in the accounts for the audit fees amounting to Rs.17,615 payable for the year under review.

1.3.2 Accounts Receivable and Payable

- (a.) Action had not been taken to settle Rs.22,806 being the value of telephone bills for the year 1997 even as at end of the year under review.
- (b.) Contributions to Employees Provident Fund and Widows and Orphans Pensions Fund amounting to Rs355,405 recovered by the Sabha from the officers from year 1986 had not been remitted to the respective Funds and had been kept in the deposits account.
- (c.) Retention money amounting to Rs.615,203 recovered from contractors had been kept in the deposits account.
- (d.) Action had not been taken to recover revenue in arrears amounting to Rs.1,218,550 from year 1984.

1.3.3 Lack of Evidence for Audit

Following items of accounts could not be satisfactorily vouched or accepted in audit due to lack of evidence indicated against those items.

Item of Account	Value	Evidence not furnished
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	Rs.	
Land and Buildings	4,443,627	Title Deeds
Shopping Complex	20,375,659	} Fixed Assets Registers, and Board of Survey Reports
Machinery and Equipment	618,659	
Furniture	1,057,420	
Motor Vehicles	23,026,590	
Advances Receivable	21,872	} Age Analysis, Detailed Lists
Inventory Stocks	48,588	Board of Survey Report

1.3.4 Suspense Account

The total of the credit balance of the suspense accounts shown in the financial statement amounted to Rs.11,594 since year 2000. Action had not been taken to identify these balances.

1.3.5 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) <u>Pradeshiya Sabha Rules (Financial and Administration) of 1988</u>	
i. Chapter III Section 15 Subsection 81	- Following applications had not been submitted to the respective officers at each quarter. (i.) Reimbursement of Stamp Duty related to transfer of property to the Registrar General (ii.) Reimbursement court fines to the Registrars of Court.
ii. Chapter IX Rule No.180	- The Sabha had not obtained Security from 03 officers who are delegated with powers to sign the Cheques, custody of cash and stores administration.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.14,000,313. The corresponding excess of revenue over the recurrent expenditure for the preceding year had been Rs.5,610,450. The improvement of the financial results in a sum of for the year under review over the preceding year amounted to Rs.8,389,853.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue for the year under review are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	791,500	613,525	4,391,078
(ii)	Rent	6,524,240	1,264,951	6,894,149
(iii)	Service Charges	5,289,500	784,312	86,519
(iv)	Other Revenue	25,955,756	37,781,628	331,940

3. Operating Review

3.1 Management Inefficiencies

- (a.) Necessary action had not been taken to value and brought to the account in respect of the 40 motor vehicles handed over to the Pradeshiya Sabha by the Ministries and Departments, during the period of 10 years.

- (b.) In 2012 40 stalls had been constructed at cost of Rs.22,820,738 under the Pura Neguma Programme and 13 shops had been handed over without charging any rent. Other shops had not been rented out until 28 December 2014. However the Secretary of the Pradeshiya Sabha had mentioned by his letter dated 06 January 2015 that an advance of Rs.50,000 had been obtained for each shop.

3.2 Contract Administration

- (a.) Shopping Complex Constructed at the New Bus Stand Muthur
The construction work of the shopping complex valued at Rs.22,820,738 at the New Bus Stand had been completed and handed over on 30 October 2012. A field inspection carried out on 18 December 2014 revealed that the walls had been cracked and the concrete work also had not been properly done at certain places. However the Pradeshiya Sabha had not taken into consideration the defects mentioned above and had paid all the contract money and the retention money to the contractor.

- (b.) Market Building Constructed at the Muthur new Bus Stand
An Agreement valued at Rs 23,366,108 had been signed on 27 August 2013 by the Muthur Pradeshiya Sabha under the Pura Neguma Project for the construction of the Market Building at the Muthur New Bus Stand. Although a sum of RS.269,850 had been paid for the parapet wall of 350 metres long. It was observed in Audit the said wall had been completely damaged.

4. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

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