

Mulatiyana Pradeshiya Sabha

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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 for audit on 04 August 2011 and the financial statements for the preceding year had been presented on 22 November 2010.

1:2 Opinion  
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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Mulatiyana Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and 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 Mulatiyana Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements  
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1:3:1 Accounting Deficiencies  
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The following matters were observed..

- (a) The balance of Rs.557,364 in the Furniture and Fixtures Account brought forward from the year 1999 had been shown in the financial statements even in the year under review without being identified and confirmed.
- (b) The balance of 02 construction works completed in the preceding year amounting to Rs.521,650 had not been capitalized even in the year under review.

- (c) Expenditure amounting to Rs.105,250 incurred in the year under review for the acquisition of lands and the purchase of sports goods for 04 pre-schools had been brought to account as recurrent expenditure instead of being capitalized.
- (d) Even though a sum of Rs.9,475 had been paid in the year 2011 as the allowance for the computation of the stamps fees for June, July, August, September and October 2010, the provision in that connection had not been made in the financial statements for the year under review.
- (e) The creditors balance of Rs.79,837,830 shown in the financial statements for the year ended 31 December 2010 included creditors amounting to Rs.1,547,647 already settled by 31 December 2009.
- (f) The contribution payable as at the end of the year under review to the Local Government Service Pension Fund amounting to Rs.1,199,986 had not been shown in the financial statements.
- (g) Provision had not been made for the audit fees in respect of the year under review.

1:3:2 Unreconciled Control Accounts

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The balances of 04 items of account according to the Control Accounts totalled Rs.80,948,506 whereas according to the subsidiary registers, those balances totalled Rs.79,790,518. As such a difference of Rs.1,157,988 was observed.

1:3:3 Lack of Evidence for Audit

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Transactions relating to 09 items of account amounting to Rs182,164,193 could not be satisfactorily vouched in audit due to the non-submission of information required.

1:3:4 Non-compliance

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Instances of non-compliance with laws, rules, regulations, etc. observed during the course of audit are given below.

Reference to Laws, Rules and Regulations, etc.	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988

(i) Rule 164

The accounting documents of the Sabha had not been checked daily by the Secretary or an officer authorized by him and initialed for confirmation.

(ii) Rule 193

A Statement of Excesses and Deficits prepared by reconciling the actual balances of Objects with the budgeted and Supplementary Votes had not been prepared and presented to audit.

(b) Circular No. 1A1/2002/02 of 28 November 2002 of the Secretary to the Treasury.

A Register of Fixed Assets in terms of the circular had not been maintained for the accessories and software of 02 computers.

2 Financial and Operating Review

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2:1 Financial Result

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According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs. 4,731,910 as compared with the excess of revenue over the recurrent expenditure amounting to Rs.2,547,267 for the preceding year.

2:2 Revenue Administration

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2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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Even though a request was made to the Chairman by my letter dated 20 January 2011 to furnish the information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year in a specified format, such information had not been furnished. Nevertheless, the position of the arrears of revenue as at 31 December 2010 as compared with the

preceding year as shown in the Statement of Arrears of Revenue furnished with the financial statements is given below.

Particulars	Arrears of Revenue		Increases as a Percentage	Decrease as a Percentage
	<u>2010</u> Rs.	<u>2009</u> Rs.	%	%
Rates and Acreage Tax	77,759	64,412	20.72	--
Lease Rents	392,750	334,237	17.5	--
Licence Fees	39,050	43,230	--	9.6

2:2:2 Arrears of Taxes and Charges

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Action in terms of provisions in Sections 158 and 159 of the Pradeshiya Sabha Act, No. 15 of 1987 had not been taken for the recovery of taxes and charges amounting to Rs.77,759 relating to the year under review and the preceding years.

2:2:3 Advertisement Hoardings – Visual Environment

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The charges recoverable on the advertisement hoardings on visual environment displayed in the area of authority of the Sabha had been specified in the Notification published in the Gazette No. 1630 dated 27 November 2009. Nevertheless, a sum of Rs.16,675 had not been recovered on 11 advertisement hoardings displayed during the year under review.

2:2:4 Environment Protection Licence Fees

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A sum of Rs.714,000 had not been recovered as the Environment Protection Licence Fee and Inspection Fee from 107 institutions which should obtain the Environment Protection Licence in terms of the provisions of the Notification published in Part (c) of the Gazette No. 1533/13 of 25 January 2008 in terms of provisions of the National Environmental Development Act, No. 47 of 1980 as amended by the Amendment Acts, No. 56 of 1988 and No. 53 of 2000.



2:4 Human Resources Management  
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2:4:1 Approved and Actual Cadre  
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Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

Grade of Employees -----	Approved -----	Actual -----
Staff Grades	01	---
Secondary Grades	14	13
Primary Grades	10	10
Other (Casual Temporary)	--	18
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Total	<u>25</u>	<u>31</u>

- (a) According to the registers for the year under review, the expenditure on the staff salary amounted to Rs.9,937,436 while the Commissioner of Local Government had reimbursed a sum of Rs.9,045,000 only. Thus the difference of Rs.892,436 had become an additional expenditure to the Sabha.
- (b) According to the Management Services Circulars No. 14 dated 03 January 2003 and No. 28 of 10 April 2006 of the Secretary to the Treasury, the recruitment of employees by Local Authorities under casual, temporary, substitute and contract basis had been suspended. Contrary to such stipulation, 18 employees had been recruited and a sum of Rs.1,614,793 had been paid out of the Sabha Fund in the year under review as their salaries. If recruitment had been made surpassing the instructions of these circulars, it had been emphasized that the Head of the institution is held personally responsible in that connection.

2:5 Assets Management  
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Staff Loans Recoverable  
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According to the registers the balances of staff loans and advances recoverable as at 31 December 2010 totalled Rs.1,523,012.

2:6 Operating Inefficiencies

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Maintenance of Street Lights  
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- (i) Even though the electrical accessories needed for the maintenance of street lights should be purchased on the approval granted by the Technical Officer for applications made according to the needs by the Electrician, Maintenance, such a methodology had not been followed.
- (ii) A system of numbering or a code had not been followed for the identification of the street lights maintained in the area of authority of the Sabha while a register for recording the bulbs and other accessories installed in each street light had not been maintained.
- (iii) Even though a sum of Rs.79,650 had been spent from the Sabha Fund for the maintenance of street lights in the area of authority of the Sabha reimbursements could not be obtained as an agreement had not been signed with the Ceylon Electricity Board.

3. Systems and Controls

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Special attention is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Financial Control
- (c) Revenue Administration
- (d) Assets Management