

Muthur Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 29 March 2016 and the financial statements for the preceding year had been presented on 25 March 2015. The report of the Auditor General for the year 2015 was issued to the Secretary of the Sabha on 12 August 2016.

1.2 Qualified Opinion

I am of opinion, except for the effects of matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of Muthur Pradeshiya Sabha as at 31 December 2015 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 Policies

According to policies adopted for the preparation of financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies.

The following accounting deficiencies were observed.

- (a) Although a tractor to the value of Rs. 377,000 purchased during the year under review had not been shown under non-current assets in the balance sheets, thus value of the non-current assets had been understated by the same amount.
- (b) A sum of Rs. 493,845 paid for purchase of furniture during the year under review had been shown under advance accounts.

1.3.3 Accounts Receivable

Assessment tax amounting to Rs. 12,638,221 remained arrears for the period from 1984 to 2015 had been shown continuously in the financial statements without taking to recover it.

1.3.4 Lack of Evidence for Audit

The evidence indicated against the following each item of accounts had not been furnished to audit.

Item of Account	Value Rs.	evidence not submitted
Lands and Buildings	32,900,660	Title deeds
Plants and machineries	1,318,681	} Register of Fixed Assets
Motor vehicles	28,916,570	
Furniture	1,765,800	

1.3.5 Non- compliance with Laws, Rules and Regulations

Instances of non- compliance with laws, rules and regulations observed in audit are given below.

Reference to Laws, Rules and Regulations	Non Compliance
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(a) Section 134(1) of the of the Pradeshiya Sabha Act No. 15 of 1987	Action had not been taken to identify and asses the non-moving assets located within the area of authority of the Pradeshiya Sabha and recover the rates and taxes
(b) Financial Regulations 880 of the Democratic Socialist Republic of Sri Lanka	Securities had not been obtained from four officers to whom responsibility of cash and stores had been administratively entrusted.
(c) Rule 193 of Chapter X Financial and Administrative Rules of the Pradeshiya Sabha of 1988	A Statement including the reasons for the variance after comparing the actual revenue and expenses with the budget for the year under review had not been prepared and rendered to audit.
(d) Provincial Financial Rules No. 237	Action on six cheques to the value of Rs. 9,257 issued but not presented to the Bank for more than two years had not been taken.
(e) Section 203 of the Motor Vehicle Act.	Revenue licence had not been obtained for 09 vehicles used by the Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operation of the Pradeshiya Sabha for the year ended 31 December 2015 had resulted in an excess of revenue over recurrent expenditure of Rs. 3,128,510 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs. 22,182,927 for the preceding year.

2.2 Revenue Management

2.2.1 Performance of the Revenue Collection

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Sabha is given below.

Item of Revenue	Estimated Revenue	Actual Revenue	Cumulated Arrears as at 31 December 2015
2.2.2 Lease Rent of Meat Stall	Rs. 000	Rs. 000	Rs. 000
Rates and Taxes	781,500	197,587	5,233,731
A			
c Lease Rent	8,297,126	7,842,303	6,486,984
t			
i Service Charge	8,385,000	1,418,544	6,976,510
o			
n Other Revenue	750,000	630,500	309,491

had not been taken to recover the arrears of meat stall lease rental amounting to Rs. 2,701,919 for the year under review

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed

- Although 13 vehicles donated by other Institutions were being used By the Sabha for than 10 years action had not been taken to transfer the ownership of those vehicles.
- Action had not been taken up to the end of the year to settle a sum of Rs. 48,000 payable before 2011 to the Office of the Assistant Commissioner of Local Government.
- Action had not been taken for more than 08 years to recover the outstanding loans balance amounting to Rs. 133,242 provided to 07 employees of the Sabha, from them or their sureties.
- Although, Particulars of a loan obtained by an officer who transferred to another office should be sent to that office and the outstanding balance should be recovered in terms of Section 1.6 of Chapter XXIV of the Establishments Code loan balances of Rs.133,242 provided to the employees had remained outstanding for lost 08 years without being recovered.

- (e) According to the Circular No IAI/2002/02 dated 28 November 2002 of the Treasury, a separate register to record the computers, accessories and software etc had not been maintained.
- (f) In terms of Financial Regulations 750 of the Democratic, Socialist, Republic of Sri Lanka, Government should be affixed on emblem all government vehicles. However, Government emblem had not been affixed on 11 vehicles were being used by the Sabha.

3.2 Idle Assets

Four tractors belonged to the Sabha had remained idle for the period from 03 to 08 years without action being taken to repair and utilize them.

4. Human Resources Management

The information relating to the approved cadre and actual cadre as at 31December 2015 is given below.

Category of employee -----	Approved cadre -----	Actual cadre -----	No. of vacancies -----
Executives Grade	01	-	01
Surbodinatees	29	26	03
Minor staff	76	66	10

Although the one posts of Supra Grade 1 of the Management Services had remained vacant for more than 05 years, an officer had been appointed an acting basis without taking action to appoint a permanent officer for that post.

5. Systems and Controls

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

- (a) Revenue Administration
- (b) Control over Fixed Assets
- (c) Budgetary Control