

**Maritimepattu Pradeshiya Sabha**  
**Mullaitivu 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 2015 had been presented to audit on 23 March 2016 and the financial statements for the preceding year had been presented on 30 March 2015. The report of the Auditor General for the year 2015 was issued to the Secretary of the Sabha on 05 May 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters referred in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Maritimepattu 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**

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**1.3.1 Accounting Policies**

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Accounting policies adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

**1.3.2 Accounting Deficiencies**

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Following observations were made.

- (a) The value of 90 machineries and equipment donated, had not been assessed and brought to the financial statements over 05 years.
- (b) The value of 13 categories of 84 household goods and equipment donated, had not been assessed and brought to accounts over 05 years.
- (c) The value of 28 vehicles donated, had not been assessed and brought to the accounts over 05 years. However, details relating to ownership, maintenance and repairs had not been made available to audit.
- (d) While 11 capital works aggregating to Rs. 6,983,138 to be completed during the year under review, had not been completed, provision had been made in Sundry creditors account. Thus, capital expenditure had been overstated during the year under review.

### 1.3.3 Receivables and Payables

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Following observations were made.

- (a) Action had not been taken to recover 10 categories of revenue in arrears aggregating to Rs.10,541,558.
- (b) While the total rent due from the shopping trade complex was Rs. 1,756,549 for the year under review, a sum of Rs. 1,676,549 only had been recovered . Accordingly,a sum of Rs. 80,000 had not been recovered.
- (c) While the lease rent total due from the shopping trade complex was Rs.172,084 action had not been taken to recover it and it had been allowed to remain as arrears for more than a period of 03 years.
- (d) While the total of loan balances due to be recovered from officers retired, deceased and left on transfers relevant to period ranging from 05 to 08 years amounted to Rs.1,148,146,an effective course of action had not been taken to recover those loans.

### 1.3.4 Non-compliances with Laws, Rules, Regulations and Management Decisions

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The following instances were observed.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
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(a) Pradeshiya Sabhas (Financial and Administrative) Rules- 1988	
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(i) Rule 33 of Chapter III	A Survey for rates had not been made during the year under review.
(ii) Rule 59, 60 of Chapter III	A Survey for Trade taxes had not been made during the year under review..
(b) Audit and Management Circular	
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No. DMA/2009(1) dated 09 June 2009.	Even though at least 04 Audit and Management Committee meetings had to be conducted, only one meeting had been conducted during the year under review.

- (c) Procurement Guidelines of the Democratic socialist Republic of Sri Lanka

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Section 5.4.12

After payment of Value Added Tax, details of such payment had not been informed to the Commissioner General of Inland Revenue with a copy to Auditor General, on or before the 15 day of the ensuing month.

- (d) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

- (i) No. 571

(i) While 12 Retention money deposits aggregating Rs. 1,236,545 had been retained in a deposits accounts, had not been taken in that connection during period ranging from 14 months to 36 months.

(ii) Five tender deposits aggregating Rs. 383,137 had been retained in the deposits account without suitable action being taken during a period ranging from 12 months to 19 months.

(iii) Seven miscellaneous deposits aggregating Rs. 762,539 had been retained in the deposits account without suitable action being taken during a period ranging from 02 months to 27 months.

(iv) Twelce of Rent deposits aggregating Rs. 42,800 had been retained in the deposits account without action being taken during a period ranging from 12 months to 24 months.

## **2. Financial Analysis**

### **2.1 Financial Results**

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According to the financial statements presented, the excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.29,151,362 as compared with the excess of income over recurrent expenditure amounting to Rs. 26,614,087 for the preceding year. When compared with the preceding year an improvement in a sum of Rs.2,537,275 in financial results for the year under review reflected. The main reasons for those improvements were due to increases in recurrent grants and recurrent revenue .

## **2.2 Analytical Financial Review**

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Financial results of the Sabha for the year under review had resulted a net surplus of Rs. 165,140 as compared with the corresponding net surplus of Rs. 24,734 for the preceding year, thus indicating an increase of financial results in a sum of Rs. 140,406 for the year under review.

## **2.3 Financial Review**

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### **2.3.1 Working Capital Management**

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Working Capital of the Sabha for the year under review had been Rs. 99,132,459 as compared with the corresponding Working Capital of Rs. 79,273,926 for the preceding year, thus indicating an increase of working capital in a sum of Rs.19,858,533 for the year under review.

## **2.4 Revenue Management**

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### **2.4.1 Charges for Telecommunication Towers**

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Four categories of charges such as issuing development licences, initial plan approval, issuing conformity certificates and covering approval had to be recovered in respect of 11 telecommunication towers constructed in the area of authority of the Sabha. had not been assessed, recovered and brought to the accounts in terms of extra ordinary gazette notification No.1597/8 of 17 April 2009.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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Action had not been taken to fill 24 vacancies in the cadre of the sabha. Due to that, Peons had been allowed to perform the duties of the Revenue Inspectors and Market Supervisors.

### **3.2 Abandoned Projects**

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Eleven Capital works estimated at a total cost of Rs.47,000,000 had been abandoned during the year under review. The reasons for these abandoned capital works were not made available to audit.

### **3.3 Delays in Project**

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Seven Projects aggregating to Rs. 3,938,555 had been awarded and commenced during the year under review. However, those works had not been completed even up to end of the year under review.

### **3.4 Solid Waste Management**

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The Sabha had used only the methods of burning and burying system for disposal of the garbages removed within the area of authority of the Sabha. The Sabha had not implemented compost and recycling projects.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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Budget estimates had not been properly prepared . As a result, variances between the budgeted income and the actual income ranging from Rs. 70,170 to Rs. 5,229,225 and variances between the budgeted expenditure and the actual expenditure ranging from Rs. 100,000 to Rs.3,646,227 were observed.

## **5. Systems and Controls**

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

- (i) Establishment of Internal audit unit
- (ii) Collection of Revenue
- (iii) Fixed Assets
- (iv) Accounting
- (v) Cadre
- (vi) Donations
- (vii) Miscellaneous Deposits
- (viii) Budgetary Control
- (ix) Stock control
- (x) Procurement Procedure