

Muthur Pradeshiya Sabha
Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 30 March 2017 and the financial statements for the preceding year had been presented on 29 March 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 29 September 2017.

1.2 Qualified Opinion

In my opinion ,except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Muthur Pradeshiya Sabha as at 31 December 2016 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 Deficiencies

The following accounting deficiencies were observed.

- (a) The interest on savings deposits amounting to Rs.17,729 for the year under review had been shown as Rs. 34,717 in the financial statements. As a result, the balance of savings account had been overstated by Rs.16,988.
- (b) The sum of Rs.493,845 paid for purchase of furniture in 2015 had been brought to account as advances.
- (c) The arrears of revenue as per ledger amounted to Rs.16,535,655. This had been shown as Rs.16,360,456 in the financial statements. As a result, the arrears of revenue had been understated by Rs.175,199.

1.3.2 Lack of Evidence for Audit

The register of advances relating to the balance of advances amounting to Rs.11,139,745 had not been furnished for audit.

1.3.3 Non-compliance with Laws, Rules, Regulations

The following instances of non-compliance were observed in audit .

Reference to Laws, Rules etc.,	Non-compliance
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(a) Section 193 of Chapter X of the Finance and Administration Rules of Pradeshiya Sabhas-1998	The details of actual revenue and expenditure of the year had not been compared with the budget and a statement of variations had not been furnished to the Auditor General.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken with regard to revenue deposits of Rs.452,617 existing for a period of 5 to 7 years.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.6,432,080 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,128,510 showing an improvement in financial results by Rs.3,303,570.

2.2 Revenue Administration

2.2.1 Performance in collection of Revenue

(a) Significant variations were observed between the budgeted revenue and the actual revenue, as reported by the Sabha.

<u>Item of Revenue</u>	<u>Estimated Revenue</u>	<u>Actual Revenue</u>	<u>Accumulated Arrears as at 31.12.2016</u>
	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	806	728	79
Rent	11,960	9,661	2,300
Service charges	9,072	1,642	7,430
Other Revenue	51,882	42,656	9,226

2.2.2 Rates and Taxes

The rates and taxes aggregating Rs.5,299,182 recoverable from land, buildings and the houses constructed within the authoritative area of the Sabha for the period 1984 to end of the year

under review had not been recovered in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987.

2.2.3 Revenue from Rent of Stalls

A trade complex with 40 stalls had been constructed by utilizing the Puraneguma funds at a cost of Rs.22,820,738 in 2013. These had been given on lease in 2014 and the following matters were observed in this connection.

- (i) The stalls should have been given on lease by entering into agreements in terms of Section 173 of the Pradeshiya Sabha Act No.15 of 1987. However, agreements had been entered into, for 33 out of 40 stalls on a long term lease without specifying the period of lease.
- (ii) The Sabha had not taken action up to the date of audit to recover the lease rent of Rs.1,292,000 due for the period 01 January 2014 to 17 August 2017.

2.2.4 Lease of meat Stalls

Action had not been taken to recover the arrears of lease rent of meat stall amounting Rs.10,142,162 existing for over 05 years.

3. Operating Review

3.1 Management Inefficiencies

The following observations were made.

- (a) The Sabha continues to use 12 motor vehicles received from other institutions as donations for over 11 years. However, action had not been taken by the Sabha to acquire those vehicles.
- (b) According to Section 1.6 and 4 of Chapter XXIV of the Establishments Code of the Government of Sri Lanka, Loans amounting to Rs.108,620 granted to 03 employees had remained as arrears during the past 09 years without being recovered.
- (c) Revenue licences should be obtained for all vehicles in terms of Section 203 of the Motor Traffic Act. However, such licences had not been obtained for 09 vehicles used by the Sabha.
- (d) Action had not been taken up to now to close the dormant current account in a bank with a balance of Rs.55,351 existing for 10 years.
- (e) A sum of Rs.2,090,980 had been paid to supply water to 200 beneficiaries resettled in Sampur under UNICEF Aid Scheme. Although the payments had been made on 25 December 2016, 47 beneficiaries had not obtained water supply up to now.

- (f) Advances should be settled within 10 days as required by the Provincial Financial Rule No.163.3. However, action had not been taken with regard to advances amounting to Rs.15,627,645 ranging for a period of 01 to 03 years.
- (g) The sewerage treatment plant issued to the Sabha on 22 August 2012 under the UNICEF fund allocation remained unused since the date of handing over the plant. As such the human excreta collected within the area of the Sabha is dumped in the place where garbage is disposed of, causing environmental pollution.

3.2 Idle Assets of the Sabha

The following observations were made.

- (a) Action had not been taken to repair and make use of or to dispose of 2 ploughing machines and pickup vehicles of the Sabha. These were lying idle for 02 to 09 years.
- (b) The contractor had constructed the building for implementing the bio gas plant valued at Rs.1,115,226 under the Provincial Specific Development Grant on 07 December 2016 and handed over to the Sabha. However, the building remained idle up to now as the plan had not been implemented.
- (c) Three wells constructed at a cost of Rs.418,821 on 31 December 2016 under the Second Health Sector Programme remained idle from the date of construction. as the wells had been constructed far away from the place where the people live.

6. Systems and Controls

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

Systems and Controls -----	Attention needed -----
(a) Fixed Assets Control	<ul style="list-style-type: none"> (i) Maintenance of a register of fixed assets (ii) To initiate action to make use of the idle assets of the Sabha.
(b) Contract Administration	<ul style="list-style-type: none"> (i) To follow the procurement guideline while awarding contracts. (ii) To act in accordance with the circular instructions of the Finance Commission while awarding contracts to community centres.