

**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 2016 had been presented to audit on 29 March 2017 and the financial statements for the preceding year had been presented on 23 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 31 August 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 2016 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 had to be adopted in preparing and presenting, had not been disclosed in the financial statements of the Sabha for the year under review.

**1.3.2 Accounting Deficiencies**

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Following observations were made.

- (a) The Value of 90 Nos. of machineries and equipment donated, had not been assessed and brought to the financial statements over last 06 years.
- (b) The Value of 100 Nos. of furniture and equipment donated, had not been assessed and brought to the financial statements over last 06 years.
- (c) The Value of 05 Nos. of furniture purchased to Rs.122,230 during the year under review, had not been brought to the financial statements for the year under review.
- (d) The Value of 14 Nos. of steel Almyrah purchased to Rs.165,300 during the year under review, had been brought to the financial statements as Rs.49,650; thus the value of the furniture had been understated by Rs.115,650 in the financial statements for the year under review.
- (e) A capital work aggregating to Rs. 9,500,000 had to be completed during the year under review, had not been completed and a 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 the outstanding balance of lease rentals for the market shopping complex aggregating Rs.172,084 allowed to be as arrears over 04 years.
  
- (b) Meaningful action had not been taken to recover the outstanding loan balances aggregating Rs. 879,987 recoverable from retired, died, and transferred officers during the period ranging from 05 to 09 years.

### 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) Rule of the year 1988	
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(i) Rule 33 of Chapter III	Assessment rates had not been made during the year under review.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	
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(i) No. 571	Five various types of 23 Nos. of individual deposits aggregating Rs.2,607,450 had been allowed to be retained in a deposits account without being taken action during the period ranging from 10 months to 03 years.
(c) Procurement Guidelines of the year 2006	
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(i) Section 5.4.12	After making the payment to cover 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 <sup>th</sup> day of the following month.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.31,623,236 as compared with the excess of income over recurrent expenditure amounting to Rs. 29,151,362, thus indicating an increase of income over recurrent expenditure of Rs.2,471,874 for the year under review as compared with the preceding year. The main reasons for improvements were increases in recurrent grants and recurrent revenues for the Sabha.

### 2.2 Analytical Financial Review

Financial results of the Sabha for the year under review had resulted a net surplus of Rs.28,912 as compared with the corresponding net surplus of Rs. 165,140 for the preceding year, thus indicating a deterioration of financial results of Rs. 136,228 for the year under review.

### 2.3. Working Capital Management

Working Capital of the Sabha for the year under review had resulted Rs. 111,127,345 as compared with the corresponding Working Capital of Rs. 99,132,459 for the preceding year, thus indicating an increase of working capital of Rs.11,994,886 for the year under review.

### 2.4 Revenue Management

#### 2.4.1 Revenue Collection Performances

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

Item of Revenue	Estimated Amount	Actual Amount	Cumulative Arrears as at 31 December 2016
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	452	365	-
Rent and Lease Rent	15,808	15,778	172
Licence Fees	1,296	1,461	-
Other Revenue	13,396	23,581	22,877
Total	<u>30,952</u>	<u>41,185</u>	<u>23,049</u>

## **2.4.2 Charges for Telecommunication Towers**

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Four type 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 territory areas belongs to 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 the 16 Nos. of vacancies in the cadre of the sabha, thus indicating the office assistants had been allowed to look after the works assigned for the Revenue Inspectors and Market Supervisors. As a result, development activities had been affected.

### **3.2 Abandoned Projects**

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11 Nos. of Capital works estimated at total cost of Rs.40,750,000 had been abandoned during the year under review and the reasons for abandoned capital works were not made available to audit.

### **3.3 Solid Waste Management**

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The Sabha had used only the methods of burning and burying system to dispose of the garbages with in the area belongs to the Sabha .Nevertheless, meaningful actions had not been taken to compost and recycling programmes for the effective implementation.

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

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### **4.1 Budgetary Control**

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Budget estimates had not been prepared to make it as effective mechanism. Thus a variance between 08 Nos. of budgeted expenditure and actual expenditure ranging from Rs. 1,000 to Rs.11,167,293 were observed.

### **4.2 Audit and Management Committee Meeting**

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Even though at least 04 Nos. of Audit and Management Committee meetings had to be conducted in terms of Department of Management Audit Circular No. DMA/2009(1) of 09 June 2009, only one meeting had been conducted during the year under review.

## **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) Procurement Procedure