

Muthur Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 16 April 2018 and the report of the Auditor General for the year under review had been forwarded to the Chairman on 17 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Muthur Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 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 Lack of Evidence for Audit

The balances of advances amounting to Rs.11,139,745 could not be confirmed in audit due to lack of register of advances.

1.3.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

**Reference to Laws, Rules, Regulations
etc.,**

Non - compliance

(a) 1988 Pradeshiya Sabha (Finance
and Administration) Rules
Chapter X
Section 193

The actual revenue and expenditure of the year had not been compared with the budgeted revenue and expenditure for preparation and submission of explanations for variations to be forwarded to the Auditor General.

- (b) Motor Traffic Act
Section 203

Revenue licences should be annually obtained for all vehicles. But, the Sabha had not obtained revenue licenses for 09 vehicles used by it.

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 2017 amounted to Rs.103,812 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,432,080 showing a deterioration in financial results amounting to Rs.6,328,268. The decrease in rent revenue by Rs.3,871,917 and the decrease in revenue in other revenue by Rs.1,181,517 had attributed to the deterioration.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Item of Revenue	2017				2016			
	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000
Rates and Taxes	806	816	460	346	786	786	727	58
Rent	11,960	9,477	11,057	902	15,236	13,349	9,660	5,575
Licence Fees	1,075	1,398	1,043	32	816	786	811	4
Other Revenue	13,334	9,367	9,367	3,966	12,415	8,707	8,707	3,708

2.2.2 Rates and Taxes

Rates and taxes aggregating Rs.5,679,761 had not been recovered from land, houses and buildings within the area of the Sabha since 1984 as required by Section 134 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.3 Rent from Market Stalls

The shopping complex consisting of 40 stalls constructed at a cost of Rs.22,820,738 in 2013 under the provision made for the Puraneguma Project had been given on lease in 2014. The following matters were observed in this regard.

- (i) Stalls should be given on rent after signing agreements in terms of Section 173 of the Pradeshiya Sabha Act No.15 of 1987. However, agreements had been signed for only 33 out of 40 stalls referred to above without specifying the period of lease.
- (ii) The Sabha had not taken action to recover lease rent for these stalls amounting to Rs.1,248,750 for the period 01 January 2014 to 31 December 2017 the date of audit.

2.2.4 Lease of Beef Stall

Action had not been taken to recover arrears of beef stall rent from the deposits of stall holders whenever they default payments. An arrears of Rs.8,303,154 had been shown in the financial statements. The Sabha had not furnished the age analysis of these arrears for audit. As such, the balances could not be confirmed in audit.

3. Operating Review

3.1 Performance

(a) Solid Waste Material Management

The Sabha collects 4 tons of solid waste material per day. The waste material so collected had been disposed of in a private land closer to the river causing environmental problems.

(b) Environmental Problems

A sewerage treatment plant had been handed over to the Sabha under the UNICEF funds. This had not been used since that date. As such, the disposal of excreta collected within the area had been carried out at the place where disposal of garbage takes place, causing environmental pollution.

(c) Sustainable Development Targets

The Sabha had not identified the objectives and targets in terms of the Sustainable Development Target Act No.19 of 2017. The Sabha was unaware of the sustainable Development Agenda to be fulfilled in 2030.

3.2 Management Inefficiencies

The following matters were observed.

- (a) The Sabha had used 12 vehicles donated by other institutions for the last 12 years. However, action had not been taken to acquire ownership of those vehicles.
- (b) Loans amounting to Rs.108,620 granted to 03 employees in terms of Sections 1.6 and 4 of chapter XIX of the Establishments Code of the Government of Sri Lanka had not been recovered during the past 09 years.
- (c) A balance of Rs.55,351 existed in a dormant current account for the last 10 years. Action had not been taken to activate the account even by the date of audit, that is, 20 June 2018 so as to earn revenue
- (d) A sum of Rs.756,311 had been paid on 25 December 2016 under the UNICEF aid to provide water supply to 200 beneficiaries who had been resettled in Sambur. However, water supply had not been provided to 17 beneficiaries up to now.
- (e) Books required for G.C.E.(O.L) and A.L students were not available at the Sambur and Mallikaitiuv libraries of the Sabha. As such, the students could not get the required benefits from those libraries and their presence at those libraries had decreased.
- (f) A maternity care centre established in Sambur at a cost of Rs.4,094,702 under the provision of the Puraneguma Project had not been used for the required purpose. Instead, it had been used by the community centre.
- (g) Advances obtained should be settled within 10 days in terms of Provincial Financial Rule No.163.3, However, action had not been taken regarding advances amounting to Rs.17,018,175 granted 01 to 04 years ago.

3.3 Assets Management

3.3.1 Idle Assets

The following observations were made.

- (a) The ploughing machines and a pickup of the Sabha that could be repaired and used remained idle for over 02 years without being repaired or sale by auction.
- (b) The contractor had constructed and handed over the building for implementing the Bio-gas system constructed at a cost of Rs.1,115,226 under the Provincial Specific Development Grant on 07 December 2016. However, the building remained idle up to now.

3.4 Procurement Procedures

3.4.1 Procurement Plan

The Sabha had not prepared a procurement plan for the year under review in terms of the Circular No.128 of 24 March 2006 of the Department of National Budget.

3.4.2 Contract Administration

(a) Gravelling the Vallikerni Main Road

The contract for gravelling the Vallikerni main road had been awarded for Rs.1,926,960 on 30 October 2017 to the Valarmadhi Community Centre. The funds were to be provided by the Sabha and the work was expected to be completed and handed over to the the Sabha on 30 December 2017. However, clay worth Rs.354,207 had been spread on the road by 20 June 2018, the date of audit without performing any others work. The work had to be suspended as the Sabha had awarded the contract to the community centre without selecting the suitable contractor.

(b) Construction of a Playground

The construction work of the Kadalkaraichchenai playground estimated at Rs.6,315,957 under the Puraneguma Project had been suspended after spending Rs.5,299,394 as a portion of the land belonged to an individual. As a result, the playground remained idle up to 20 Junw 2018.

4. Accountability and Good Governance

Budgetary Control

Variances ranging from 3 to 90 per cent were observed between the budgeted and actual expenditure showing that the budget had not been utilized as an efficient instrument of management control.

5. Systems and Controls

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

System and Control	Matters Requiring Attention
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(a) Fixed Assets Control	(i) Maintenance of a register of fixed assets
	(ii) Action to be taken to use the idle assets of the Sabha.
(b) Contract Administration	(i) Procurement guidelines to be followed while awarding contracts.
	(ii) To follow the circulars of the Finance Commission while awarding contracts to community centres.