

Mulatiyana Pradeshiya Sabha
Matara District.

1. Financial Statements

1.1 Presentation of financial statements

Financial statements of 2019 had been presented for the audit on 27 February 2020 and Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Chairman on 09 June 2020 and 15 June 2020 respectively.

1.2 Qualified opinion

It is my opinion that financial status of Pradeshiya Sabha of Mulatiyana as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

1.3 Basis for the qualified opinion

(a) Accounting deficiencies

	Audit observation	Recommendation	Comments by Accounting Officer
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(i)	Expenditure of Rs.2,444,855 borne for development of weekly fair and boutique rooms of Makandura had not been capitalized in the year under review.	All fixed assets should be accounted.	Actions will be taken make it correct in preparation of accounts in the year 2020.
(ii)	Industries debtor and creditor balances had been over stated by Rs.205,589 at the end of year under review.	It should be accounted accurately.	Actions will be taken to identify debtor and creditor balances and make it correct.
(iii)	Creditor allocations had not been made for Rs.1,193,249 due to Local Govt. Services Pension Contributory Fund at the end of the previous year.	It should be accounted accurately.	Necessary actions will be taken to make creditor allocation after getting balances proved.

(a) Non - reconciled accounts

Audit observation	Recommendation	Comments by Accounting Officer
Difference of total was Rs.4,556,221 between balance of 10 account subjects of total Rs.157,704,256 which are included in financial statements and related documents and schedules thereto.	Actions should be taken to compare differences of balances concerned and make them correct.	Actions will be taken make it correct in preparation of accounts in the year 2020.

(b) Suspense Account

Audit observation	Recommendation	Comments by Accounting Officer
Actions had not been taken to identify credit balance of Rs.36,289 of suspense account which has been brought forward from the year 2013 and settle by making relevant adjustments.	Suspense account should be settled.	Cannot be found since prevailing for a long time.

(c) Unavailability of necessary documentary evidences for the audit

Audit observation	Recommendation	Comments by Accounting Officer
In the audit it was unable to satisfactorily observe 08 account subjects of which Total Rs.248,424,741 since needy information was not presented.	Evidences by which account balances stated in financial statements are proved should be presented.	Corrective actions will be taken in future.

1.4 Non - compliance

1.4.1 Non - compliance with rules, regulations and management decisions

Occasions of non - compliance with rules, regulations and management decisions are as follows.

Reference to rules, regulations and management decisions	Non - compliance	Recommendation	Comments by Accounting Officer
(a) Pradeshiya Sabha Rules of 1988 (Financial & Admin.)			
(i) Rule 143	Refundable monthly total of deposit ledger had not been adjusted with main ledger account.	Should act as per rules.	Actions will be taken as per rules.
(ii) Rule 193	Statements of reasons for actual expenditure of object codes, excess and deficit along with budgeted and supplementary passed expenditure had not been presented.	Should act as per rules.	Actions will be taken as per rules.
(iii) Rule 204	Actions had not been taken to recover value of goods from the officer concerned in case of difficulty in obtaining a satisfactory explanation regarding deficits.	Should act as per rules.	Corrective actions will be taken in future.
(b) Financial Regulation of Democratic Socialist Republic of Sri Lanka F.R. 571	Actions had not been taken regarding expired deposits with total of Rs.243,516.	Should act as per financial regulation.	Actions will be taken in future as per financial regulations.
(c) Circular No. 30/2016 dated 27 th December 2016 issued by Secretary to Ministry of Public Admin. & Management.	Fuel consumption test for 11 Sabha vehicles had not been done.	Should act as per the circular.	Actions will be taken in the year 2020.

2. Financial Review

2.1 Financial Results

As per financial statements presented, Sabha recurrent expenditure exceeding recurrent income for the year ended by 31st December 2019 under review was Rs.429,840 and comparing with the previous year income exceeding recurrent expenditure was Rs.6,673,497.

2.2 Income Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

Income source	2019				2018			
	Estimated income	Billed income	Collected income	Total arrears as at 31 st December	Estimated income	Billed income	Collected income	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	1,341,332	1,432,693	1,435,706	73,218	626,000	1,393,058	1,393,058	76,231
Rentals	11,287,400	5,445,270	6,199,638	630,816	4,445,600	4,963,939	4,057,086	1,385,184
Permit fees	1,250,180	524,905	524,905	10,450	1,100,540	597,502	597,502	10,450
Other income	13,875,770	9,071,437	12,330,743	13,487,902	12,188,750	12,482,503	10,653,369	16,747,208
Total	27,754,682	16,474,305	20,490,992	14,202,386	18,360,890	19,437,002	16,701,015	18,219,073

2.2.2 Rates & Taxes

	Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
(a)	Rates ----- Sabha had not taken actions to identify areas expected to recover rates and pass a proposal, obtain approval from Asst. Commissioner of Local Govt. as per 134 (1) of Pradeshiya Sabha Act No. 15 of 1987 and take future measures to recover assessments.	Arrears of rates should be identified and recover assessments.	Necessary plans had been prepared to declare as developed areas in the year 2020.
(b)	Acreage tax ----- Initial arrears was Rs.83,528 while sum of Rs.105,136 was to be recovered with billings of the year Rs.21,683. Since total recoveries within the year was Rs.31,918 deficit was Rs.73,218 at the end of the year.	Arrears of income should be recovered soon.	Revenue Inspector has taken actions to discuss with parties concerned and recover arrears.

2.2.3 Rentals

	Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
(a)	Actions had not been taken charge rentals from 29 boutique rooms of Makandura weekly fair though estimated amount of rental should be amended by a new valuation as per Paragraph 06 of circular No. SLA/LGC/2010/01 dated 27 December 2010 issued by Southern Provincial Commissioner of Local Government. Rentals had been recovered based on valuations of 2008.	Should act as per the circular	Dept. of Valuation has been requested to issue valuation rentals soon.
(b)	Actions had not been taken to recover sum of Rs.318,850 from 10 boutique rooms of Makandura weekly fair which was arrears even before the year 2016.	Arrears of rentals should be recovered soon.	Future actions will be taken to recover arrears of income.

2.2.4 Other income

Court fines and stamp fees

Audit observation	Recommendation	Comments by Accounting Officer
At the end of the year under review sum of Rs.489,651 being court fines and Rs.12,998,251 being stamp fee were to be received from Chief Secretary and other authorities of Provincial Council.	Actions should be taken to recover arrears of income soon.	Letters have been sent to Chief Secretary to obtain arrears.

3. Operational Review

3.1 Performance

As per section 3 of Pradeshiya Sabha Act, the Sabha was expected to perform duties such as regularizing and control of public health, public utilities services and matters pertaining to public roads, well being of people, convenience and welfare. Matters revealed pertaining to performance of such functions are as follows.

Audit observation	Recommendation	Comments by Accounting Officer
Although Sabha was expected to perform activities for the improvement of living standard and health of people living within the Sabha area, Sabha had not implement 08 projects of Rs.1,670,583 which received under Southern Province development allocation within the period from 2016 to 2018.	Quick actions should be taken to fulfil approved industries.	Future actions will be taken to implement.

3.2 Management inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
(a) It had been unable to reimburse maintenance expenditure of Rs.1,112,300 for 1454 street lamps placed within the Sabha area due to not taking actions as per agreement No.SP/M/L10/	Should act as per the agreement.	Actions will be taken as per the agreement.

dated 26th March 2019 of Matara Chief Electrical Engineer of Ceylon Electricity Board regarding assignment to Pradeshiya Sabha maintenance of street lamps fitted within the area of Mulatiyana Pradeshiya Sabha.

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| (b) | Rs.2,326,177 had been spent for the repair of Sabha Cab vehicle which met with an accident on 27 January 2019 and the committee appointed under F.R.104 (1) had decided to recover from the Driver Rs.188,120 which was not covered by insurance. But No actions had been taken. In addition, the Driver concerned had been deployed in service of 03 Sabha vehicles without taking disciplinary actions against the driver responsible. | Actions should be taken to recover loss from parties concerned. | Actions will be taken as per written instruction received from Commissioner of Local Government. |
| (c) | Sabha attention had not been paid towards environment impact caused by 29 firms who had not taken environment protection permits for the year under review. In addition Rs.127,600 had not been recovered as permit fees. | Eligibilities should be inspected and environmental permits be issued soon. | Actions will be taken to issue environmental protection permits. |

3.3 Human Resources Management

Audit observation

Recommendation

Comments by Accounting Officer

(a) Vacancies & excess of cadre

Actions had not been taken to fill 04 vacancies of approved posts and regularize excessive cadre of 06 employees.

Vacancies should be filled and excessive posts be regularized.

Community Development Officer among excessive cadre is an approved post of Dept. of Local Government. Future actions will be taken regarding rest of excessive cadre. Actions will not be taken regarding primary grade posts since it has been decided by Cabinet held on 22 January 2020 to suspend such recruitments until further notice.

(b) Work Field Labourer of the Sabha had been used for the post of Electrician of the Sabha and Rs.22,318 had been paid to obtain an insurance cover for him. Nevertheless no certificate of his qualification needed for an electrician was not presented for the audit.

Actions should be taken to obtain the certificate from the institute concerned.

Institute concerned has informed that it has got through at the test required for certificate of NVQ 3 On 02nd December 2019 and the certificate has not been received.

(c) **Employees bonds**

Actions had not been taken to obtain bonds from 05 officers as per Rule 180 of Pradeshiya Sabha Rules (Financial & Admin.) of 1988.

Actions should be taken as per rules.

Actions will be taken to obtain bond deposits.

3.4 Operating inefficiencies

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
Actions had not been taken to charge due fees and give approval for 08 transmission towers set up by various telephone companies and annual permit fees had not been recovered from 06 transmission towers.	Actions should be taken to recover fees.	Future actions will be taken.

3.5 Contract Control

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
30 flower creepers supportive posts constructed with a cost of Rs.172,700 for environment beauty of Mulatiyana Town on allocation given by Southern Provincial Ministry of Fisheries and Environment Affairs were not in required standard and Technical Officer had recommended the payment without having required height of a post and having no electric lamps and electrical equipments.	Should act in accordance with due required standard.	All required specifications were given through diagrams since it is a purchase and Technical Services Officers have no ability or authority to prepare estimates for that and therefore no preparation of estimates is done and during the period of the audit growth of flower creepers had been slow due to rainless dry period prevailed.

