

**Manmunaipattu Pradeshiya Sabha**

**Batticaloa District**

**1. Financial Statements**

**1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 20 April 2014 and the financial statements for the preceding year had been presented on 20 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 04 December 2014.

**1.2. Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Manmunaipattu Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations for the year then ended.

**1.3. Comments on Financial Statements**

**1.3.1. Compliance with Sri Lanka Public Sector Accounting Standards**

The financial statements had not been prepared in accordance with the Public Sector Accounting Standards, as stipulated in the Circular No. PL/05/PA/SFPSAS dated 27 January 2014 issued by the Secretary to the Ministry of Local Government and Provincial Councils.

**1.3.2. Accounting Deficiencies**

The following accounting deficiencies are observed.

- (a) Provisions had not been made in the accounts for the audit fees of Rs.16,000 payable in respect of the year under review.
- (b) The library books purchased during the year under review at a cost of Rs.327,418 had been brought to account as a recurrent expenditure.

- (c) Though the Annual Boards of Survey held from the year 1996 to 2011 had instructed to write-off 1,781 books valued at Rs.89,097 in 04 public libraries, action had not been taken to write-off them from the books. Therefore the value of assets in the accounting statements had been overstated by a similar amount.
- (d) Though furniture valued at Rs.165,500 had been destroyed due the war situation prevailed in the year 1990, action had not been taken to write-off the items. Therefore the value of assets in the accounting statements had been overstated by a similar amount.
- (e) Though the value of general stores items and supervising officers' field items, totalling to Rs.17,184 had been classified as unusable items since the year 2006, action had not been taken to write-off the items from the books.

### 1.3.3. Accounts Payable

The Sabha had not taken action to pay the monthly contributions for the pension scheme since the year 1995. Therefore the contributions payable as at the end of the year under review had been Rs.975,592.

### 1.3.4. Lack of Evidence for Audit

The evidence indicated against the following subjects in the financial statements, had not been submitted to the audit.

Subjects	Value – Rs.	Evidence not submitted
Lands and Buildings	28,175,374	Title Deeds
Plant and Machinery	363,555	Registers of Fixed Assets and Reports of Survey Boards
Furniture and Fittings	2,553,674	
Motor Vehicles and Cart	28,300	
Library Books	914,423	

### 1.3.5. Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance were observed during the Audit.

#### **Reference of Laws, Rules and Regulations**

#### **Non-compliance**

(a) Pradeshiya Sabha ( Finance and Administration) Rules - 1988

(i) Section 5 (XII) of Chapter I

Though functions such as finance, stores materials, and signing of cheques, had been entrusted systematically to four officers, security deposits had not been obtained from them.

(ii) Section 191 of Chapter X

Though 12 general meetings had been held during the year under review, the certified copies of minutes of those meetings had not been submitted to the audit.

## 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 2013 amounted to Rs.4,632,844, as against the excess of recurrent expenditure over revenue amounting to Rs.1,462,933 in the preceding year. Therefore financial result of the year under review had been improved by Rs.6,095,777 in comparison to the preceding year.

## 2.2. Revenue Management

### 2.2.1. Performance on Revenue Collection

Significant variances were observed between the Estimated Revenue and the Actual Revenue, submitted by the Sabha for the year under review.

Source of Revenue -----	Estimated Revenue -----	Actual -----	Variance -----
	Rs.	Rs.	Rs.
(i.) Rates and Taxes	1,530,000	1,224,000	(306,000)
(ii.) Taxes	6,058,000	3,672,815	(2,385,185)
(iii.) Licence Fees	590,000	575,895	(14,105)
(iv.) Charges for Services	1,450,000	1,272,368	(177,632)
(v.) Fines	2,116,000	1,643,943	(472,057)
(vi.) Other revenue	3,210,000	5,747,231	2,537,231

## 3. Operating Review

### 3.1. Management Inefficiencies.

(a) 05 motor vehicles had been handed over to the Sabha by other ministries and departments, and action had not been taken for a period of three to five years, to transfer the ownership of vehicles to the Sabha.

(b) Before establishing the Pradeshiya Sabha in 1987, the Sabha had functioned as a Town Council and provided electricity bills to the general public on behalf of the Electricity Board.

The following were observed in respect of this matter.

(i) The electricity charges in arrears in respect of the electricity distributed by the Sabha to the general public amounted to Rs.781,370, and action had not been taken since the year 1993, to recover the arrears or to write-off the amount from the books.

(ii) The advance payment provided to the Electricity Board amounted to Rs.1,958,631 and action had not been taken since the year 1987, to recover the advance or to write-off the amount from the books.

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

##### **4.1. Budgetary Control**

The variances in the range of 3% to 48% were observed between the estimated expenditure and the actual expenditure. Therefore it was observed that the budget had not been made use of as an effective tool of management control.

#### **5. Systems and Controls**

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

- a) Accounting
- b) Budgetary Control
- c) Revenue Management
- d) Fixed Assets Control
- e) Employees Loan Recovery
- f) Stores Control