

Manmunai-West 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 27 March 2014 and the financial statements for the preceding year had been presented on 08 April 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 Manmunai-West 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 deficiencies were 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) Though furniture valued at Rs.185,062 had been disposed due the war situation prevailed in the year 1990, action had not been taken to write-off them. Therefore the value of assets in the accounting statements had been overstated by a similar amount.

(c) Though the deposits balance receivable as at 31 December 2013 had been Rs.6,954,180 according to the ledger, it had been indicated as Rs.6,254,697 in the financial statement. Therefore a difference of Rs.699,483 was observed.

(d) The value of Two-wheel Tractor received from the Ministry of Provincial Councils under Asian Development Bank Loan Scheme, had not been computed and brought to account.

1.3.3. Accounts Payable

The advances amounting to Rs.1,873,377, had been obtained for various purposes during the period from 1990 – 2010, and action had not been taken to settle this amount.

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	17,254,585	Title Deeds
Plant and Machinery	1,299,297	Registers of Fixed Assets, Detailed Schedules of Assets, Reports of Survey Boards.
Furniture and Fittings	768,188	
Motor Vehicles and Cart	145,425	
Library Books	930,723	
Creditors	1,873,377	Detailed Register of Creditors

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 81 of Chapter III	Action had not been taken at the end of each quarter to submit; applications to the Registrar General for the reimbursement of stamp taxes with respect to the vesting of ownership of lands; applications to Director of the Treasury for the reimbursement of taxes with respect to other transactions; applications to the Registrars of Courts for the reimbursement of fines.
(iii) 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.4,652,788, as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,468,002 in the preceding year. Therefore the financial result of the year under review had been improved by Rs.184,786, in comparison to the preceding year.

2.2. Revenue Management

2.2.1. Performance on Revenue Collection

Significance 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
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	Rs.	Rs.	Rs.
(i.) Taxes	1,821,000	1,364,245	(456,755)
(ii.) Charges for Services	852,500	496,376	(356,124)
(iii.) Fines	906,000	2,610,105	1,704,105
(iv.) Other Revenue	1,265,000	1,959,265	694,265
(v.) Government Taxes Revenue	9,690,000	8,295,153	(1,394,847)

2.2.2. Rates and Taxes

Action had not been taken as stipulated in Section 134 of Pradeshiya Sabha Act No. 15 of 1987, to obtain the assessed annual value from the Department of Valuation, for the purpose of collection of rates and taxes, in respect of the lands, houses and buildings situated within the area under the authority of the Sabha. Therefore the Sabha had been deprived of an annual revenue of approximately Rs.500,000.

3. Accountability and Good Governance

3.1 Budgetary Control

The variances in the range of, 53% to 75% 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.

4. Systems and Controls

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

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