

Manmunai Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 15 April 2015 while Financial Statements relating to the preceding year had been submitted on 20 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 07 August 2015.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Manmunai Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Public Sector Accounting Standards of Sri Lanka

Although Cash Flow Statements had been presented with the financial statement those had not been properly prepared in accordance with the Public Sector Accounting Standards 2.

1.3.2 Accounting Policies

Accounting Policies followed in preparation of the financial statements had not been disclosed in the financial statements.

1.3.3 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Provision for Audit Fees payable for the year under review amounting to Rs.16,000 had not been made in the accounts.

- (b) Action had not been taken to write-off assets valued at Rs. 165,000 destroyed under war situation took place during the year 1990. Due to that, the value of assets had been overstated in the financial statements to that extent.
- (c) The Value of 3 vehicles received as a donation from the UNOPS Institute during the year under review had not been assessed and not taken to accounts.
- (d) Although Stores Stocks amounting to Rs.17,184 shown in the financial statements had been separated as un-serviceable since the 2006, those had been shown as assets continuously.

1.3.4 **Accounts Receivable and Payable**

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Following observations are made.

- (a) Action had not been taken up to 10 June 2015 to recover the sum of Rs. 781,370 outstanding to be recovered from electricity consumers since the year 1993.
- (b) Action had not been taken up to the end of the year under review to pay the sum of Rs.1,958,631 payable to the Ceylon Electricity Board since the year 1987 and had been shown continuously in the financial statements.

1.3.5 **Lack of Evidence for Audit**

The Register of Fixed Assets with regard to Land and Buildings, Machinery and Equipment etc., totaling to a value of Rs. 30,883,751 had not been furnished to audit.

1.3.6 **Non-compliance with Laws, Rules, Regulations, Management Decisions etc.**

Following Instances of non-compliance with Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules and Regulations etc.

Non-compliance

(a) Pradeshiya Sabha (Financial and Administrative)
Rules of 1988.

(i) Chapter I Section 5 (XII)

Although functions such as cash, stores materials etc. had been assigned administratively to four officers, security deposits had not been obtained from them.

(ii) Chapter III Section 81

Applications for reimbursement of Stamp f Duty connected with transfer of ownership of lands to the Registrar General, applications for reimbursement of fines to the Registrars of Courts had not been submitted at the end of each quarter.

2. **Financial Review**

2.1 **Financial Results**

While according to the Financial Statements presented, financial result for the year under review had been an excess of revenue over recurrent expenditure amounting to Rs.4,371,982, as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year had been Rs. 4,632,844 indicating a decline in a sum of Rs. 260,862 in the financial results.

2.2 **Revenue Administration**

2.2.1 **Performance in Revenue Administration**

(a) **Recovery of Charges for Communication Towers**

It had not been possible to recover specified charges for three Communications Towers established in the area of authority by the private institutions due to inability in framing by-laws by the Sabha in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987. Accordingly, approximate revenue of Rs. 150,000 had been lost to the Sabha annually.

(b) **Rates**

Action in terms of Sections 134, 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 had not been taken up to 10 June 2015, date of audit, by the Sabha to assess the lands situated in the area of authority of the Sabha and houses and buildings constructed and recover rates.

3. **Operating Review**

3.1 **Management Weaknesses**

Following observations are made.

- (a) Action had not been taken up to 10 June 2015 to get the Lease Rent due for the year under review amounting to Rs. 50,250 from lessees of stalls in the Public Fair Trading Complex belongs to the Sabha.
- (b) Action had not been taken to remit Employees Provident Fund contribution of Rs.186,018 and the Employees Trust Fund contribution of Rs. 26,484 for the year under review, in terms of the of Employees Provident Fund Act No. 15 of 1958 and Employees Trust Fund Act No. 46 of 1980.
- (c) Action had not been taken to remit pension contributions recovered from nine employees, including contributions payable by the Sabha on behalf of those employees totaling Rs.732,927 to the Department of Pensions, in terms of Local Government Pension Rules of 1975 and Extra Ordinary Gazette No. 320/8 dated 07 June 1978.
- (d) Action had not been taken since 06 years, to transfer the ownership of 05 Motor Vehicles provided to the Sabha by other Ministries, Departments and institutions.

3.2 **Non-utilized Assets**

Body Building Equipment valued at Rs. 500,000 approximately, provided by the USAID Institution during the year 2012 had been kept in the office, without being utilized for the relevant objectives.up to 10 June 2015.

5. **Systems and Controls**

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary Control.