

## **Manmunai West Pradeshiya Sabha**

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### **Batticaloa District**

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#### **1. Financial Statements**

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##### **1.1 Presentation of Financial Statements**

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Financial Statements for the year under review had been submitted to the Audit on 04 April 2015 while Financial Statements relating to the preceding year had been submitted on 27 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 08 July 2015.

##### **1.2 Qualified Opinion**

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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 West 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**

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

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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 Deficiencies**

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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) Furniture valued at Rs. 185,062 had been destroyed under war situation took place during the year 1990. That value had been overstated in the financial statements due non-removal of that value from the accounts.

- (c) Expenditure incurred amounting to Rs. 162,675 for the purchase of tyres and fertilizer bags which is a recurrent expenditure item had been shown as an asset in the financial statements.
- (d) While the Value of 5 vehicles received as donations during the year under review had been assessed at Rs. 5,390,000 that value had not been taken to accounts.

**1.3.3 Lack of Evidence for Audit**

Following evidence indicated against each item of accounts shown in accounts had not been furnished to audit.

Item of Account	Value	Evidence not furnished
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	Rs.	
Stores Balances	3,342	Stores Registers and Board of Survey Reports
Staff Security	2,000	Details relating to officers from whom securities were obtained.

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

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

References to Laws, Rules and Regulations etc.	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administrative) Rules – 1988	
(i) Chapter I Section 5 (XII)	- Although functions such as cash and stores materials 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 Duty connected with transfer of ownership of lands to the Registrar General, applications for reimbursement of taxes connected with other transactions to the Director, General Treasury and applications for reimbursement of fines to the Registrars of Courts had not been submitted at the end of each quarter.

## 2. **Financial Review**

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### 2.1 **Financial Results**

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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.3,170,306, as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year had been Rs. 4,652,788 indicating a decline in a sum of Rs. 1,482,482 in the financial results.

### 2.2 **Revenue Administration**

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#### 2.2.1 **Performance in Revenue Administration**

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According to Information furnished by the Sabha, information relating to estimated revenue, actual revenue and accumulated arrears of revenue is given below.

Item of Revenue	Estimated Revenue	Actual Revenue	Difference
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	Rs. 000	Rs 000.	Rs.000
Lease Rent	2,135	1,811	302
Fines	2,566	2,302	307
Other Revenue	2,118	1,258	25

#### 2.2.2 **Rates and Taxes**

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Action had not been taken to get assessed the annual value of lands, houses and buildings situated in the area of authority of the Sabha by the Valuation Department for recovery of Rates. Due to that revenue amounting to Rs. 5,000,000 had been lost to the Sabha.

### 2.2.3 **Courts Fines**

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Courts Fines amounting to Rs. 1,975,000 relevant to the year 2014 had not been recovered.

## 3. **Operating Review**

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### 3.1 **Management Weaknesses**

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- (a) The sum of Rs. 298,500 received for construction of the Pandiyadi Stadium under Gama Neguma Program had been kept in the Deposits Account. Action had not been taken to settle this amount remaining in the Deposits Account since the year 2011.
- (b) The sum of Rs. 1,532,035 received from the Development Fund of the Province (PSDG) had been kept in the Deposits Account. Action had not been taken to settle this amount remaining in the Deposits Account since the year 2011.

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

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### 4.1 **Internal Audit**

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Although it has been stipulated that an Internal Audit Division should be established by each Local Government Institution within its capacity, vide Local Government Reforms Circular No. 03 dated 08 November 2005, Internal Audit Division had not been established.

### 4.2 **Budgetary Control**

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It was observed that the Budget had not been made use of as an effective tool of management as variations in a range from 28% to 100% were observed between budget and actual expenditure .

## 5. **Systems and Controls**

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Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Collection
- (d) Revenue Administration
- (e) Fixed Assets Control.