

**Musali Pradeshiya Sabha
Mannar District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been submitted to audit on 24 March 2016 and the financial statements for the preceding year had been submitted on 30 April 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 24 January 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Musali Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The financial statements had not been prepared in compliance with the Public Sector Accounting Standards in terms of circular No. PL/05/PA/SFPSAS dated 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2 Receivables

Action had not been taken to recover amount of Rs. 83,521 due from 05 officers over one year.

1.3.3 Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance with the laws, rules and regulations were observed in audit.

**Reference to Laws, Rules, Regulations
and Management Decisions etc**

- (A) 1988 Financial Management Rules of
Pradeshiya Sabha's
i) Rule Number 5(xii)

Non – Compliances

Security money had not been obtained from the officer who is responsible for cash and store.

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| ii) | Rule Number 59 | Revenue Inspector, Revenue Supervisor or any other officer who is authorized by the Chairman had not been carry out revenue calculation at the area of Sabha in the beginning of every year. |
| iii) | Rule Number 178(3) | Schedule of suppliers had not been prepared. |
| iv) | Rule Number 218 | Although all lands and buildings should be examined by the Chairman or authorized officer at least once in every year, such examination had not been carried out even as at the date of reporting. |
| (B) | Section of 150(1) of the pradeshiya Sabha Act No.15 of the year 1987 | schedule in respect of trade licenses had not been prepared, |
| (C) | Financial Regulation of Democratic Socialist Republic of Srilanka | |
| i) | Financial Regulation 104(1) | Action had not been taken to conduct inquiry and fix responsibility on cash shortage of Rs. 12,920. |
| ii) | Financial Regulation 371 | Action had not been taken to settle advance aggregating to Rs. 419,703 paid during the period from 1998 to 2014 |
| iii) | Financial Regulation 571 | Action had not been taken in respect of lapsed deposits Rs. 1,350,236. |
| (D) | Circular No. 41/90 dated 10 October 1990 of Ministry of Public Administration and Home Affairs | The test on fuel consumption at once in every six months had not been carried out in respect of 51 vehicles which were used by the Sabha |
| (D) | Treasury circular No. IAI/2002/02 dated 28.11.2002 | Registers for computes and accessories had not been maintained. |

2. Financial Review

2.1 Financial Result

According to the financial statements presented, operations of the Sabha for the year ended 31 December 2015 had resulted in surplus of income over recurrent expenditure Rs. 5,035,482 as compared against expenditure over income of Rs. 771 for the preceding year, thus indicating an improvement of Rs. 5,036,253 in financial results. The main reasons for improvements were increases in recurrent grants and recurrent revenues for the Sabha.

2.2 Revenue Management

2.2.1 Performance of Revenue Collection

Significant difference of Rs. 6,038,472 had been observed between the estimated revenue and the actual revenue for the year under review.

2.2.2 Rents

Action had not been taken to recover arrears of rent Rs. 231,344 due from the meat stall for the period from the year 2011 to 2015.

2.2.3 Other Revenue

Although private companies towers of 10 Telecommunication were erected within the area of Sabha, rent of 04 had not been recovered from private companies by the Sabha up to now.

2.2.4 Stamp Fees

Action had not been taken to recover stamp duty outstanding amounting to Rs. 4,430,455 which was receivable from the Registrar General from the year 2010 to the year 2014.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Although 04 Tractors and Tailors had been kept in the Sabha without being used, for the period ranging from 03 years to 05 years action had not been taken by the Sabha either to repair and use them or sell in auction.
- (b) 02 commercial building complexes constructed at a cost of Rs. 15.1 million during the year 2013 under the Puraneguma Project had been abandoned without being fully used up to now.

3.2 Utilization of Vehicle

Daily running charts of the Vehicle had not been maintained in relation to fuel usage of 16,300 liters at a cost of Rs. 154,850 in 12 instances to motor graders which are being used by the Sabha during the year under review.

3.3 Performance Report

Performance report for the year under review had not been prepared by the Sabha up to 10 August 2016. in team of paragraph 1:4:1 of letter No. PF/R/2/2/3/5/(4) dated 10 March 2010 of Director General of Department of public Finance a

4. Good Governance and Accountability

4.1 Budgetary Control

The following observation are made.

- (a) Provision Rs. 1,274,301 of the 16 heads given in the budget during the year under review had not been used from 40 per cent to 100 per cent.
- (b) Entire allocations of expenditures totalling Rs. 364,600 in of 05 heads allocated by budget during the year under review had not been fully used.

4.2 Internal Audit

Internal Audit activities had not been carried out effectively during the year under review.

5. Systems and Controls

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

- (a) Collection of Revenue
- (b) Budgetary Control
- (c) Accounts Receivable
- (d) Fixed Deposits
- (e) Accounting