

**Mannar Pradeshiya Sabha**  
**Mannar District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The financial statements for the year 2016 had been submitted to audit on 24 March 2017 and the financial statements for the preceding year had been submitted on 31 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 18 July 2017.

**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, the financial statements give a true and fair view of the financial position of the Mannar Pradeshiya Sabha as at 31 December 2016 and its financial performance 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 Accounting Deficiencies**  
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- (a) Unpaid pension contribution of Rs. 804,647 had been shown in the accounts. However, according to the letter of the Department of Pensions, pension contribution of Rs. 3,663,917 had been shown as payable, thus pension contribution of Rs. 2,859,270 had not been shown in the accounts as payable.
- (b) Capital expenditure of Rs. 15,594,800 had been made for 13 works during the year under review. However, such expenditure had not been included in the fixed asset accounts, thus assets had been understated by Rs. 15,594,800.
- (c) A photocopy machine valued at Rs. 100,000 which was being used for official purposes during the year under review had been replaced by purchasing a new photocopy machine valued at Rs. 125,000. However, it had not been deducted from the accounts, thus fixed assets had been overstated by Rs. 100,000.
- (d) Grant receivable of Rs. 168,000 for the year under review had not been shown as receivable in the accounts, thus assets had been understated by Rs. 168,000.
- (e) According to the financial statement of the year under review, amount receivable on behalf of becko loader totalling Rs. 885,530 prior to the year 2014 had not been shown in the accounts, thus current asset had been understated by Rs. 885,530.
- (f) An audit fee and value added tax thereon for the year under review had not been calculated and brought to financial statement by the Sabha.

### 1.3.2 Non-compliance with Laws and Regulations

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

| <b>Reference to Laws, Rules and Regulations</b>  | <b>Non-compliances</b>  |
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| (a) Section 126 of Pradeshiya Sabhas Act No. 15 of the year 1987   | Sabha had failed to formulate sub rules to recover revenue of telecommunication towers as law   |
| (b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988                                       |   |
| (i) Rule No. 5(xii)  | Security money had not been obtained from the officers who are responsible for cash and store items.  |
| (ii) Rule No. 59   | A survey of business entities under the purview of the Sabha should be carried out by the Revenue Inspector and Revenue Supervisor or any other officer who is authorized by the Chairman at the beginning of every year and a schedule in respect of business entities should be prepared in terms of section 150(1) of Pradeshiya Sabhas Act No. 15 of the year 1987. However, such schedule had not been prepared. |
| (iii) Rule No. 178(3)  | The Sabha had not prepared a schedule in respect of institutions for supplying goods.   |
| (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka                                      |   |
| (i) Section 2(b) and 5 of Financial Regulation 371   | An advance had been paid over maximum amount of Rs. 20,000 in 04 instances and it had not been settled immediately after the completion of the purpose.   |
| (ii) Financial Regulation 571  | 06 Lapsed deposits totalling Rs. 49,983 had been kept for the period from the year 1984 to the year 2013.   |
| (d) Paragraph 1:4:1 of letter no. PF/R/2/2/3/5/(4) dated 10 March 2010 of Director General of Central Government | Annual operational report had not been prepared even as at the date of reporting.   |

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 9,194,743 as compared with the corresponding excess of income over recurrent expenditure of Rs. 4,340,703 for the preceding year.

### 2.2 Revenue Management

#### 2.2.1 Performance of Revenue Collection

Significant differences were observed between the estimated revenue and the actual revenue for the year under review as presented by the Sabha

| Item of Revenue                              | Budgeted          | Actual            | Difference      | Difference |
|--|-------------------|-------------------|-----------------|------------|
|  | Rs.               | Rs.               | Rs.             | Percentage |
| Rents  | 4,301,652         | 8,850,411         | 4,548,759       | 106        |
| License Fees                                 | 1,222,900         | 1,528,415         | 305,515         | 25         |
| Charges for Services                         | 1,239,900         | 820,793           | (419,107)       | (34)       |
| Warrant Expenses, court fines and surcharges | 6,933,000         | 1,767,220         | (5,165,780)     | (75)       |
| Other Revenue                                | 4,798,183         | 5,449,827         | 651,644         | (14)       |
| <b>Total</b>                                 | <b>18,495,635</b> | <b>18,416,666</b> | <b>(78,969)</b> |            |

#### 2.2.2 Rents

- Any actions had not been taken by the Sabha to recover arrears of lease rents totalling Rs. 791,008 from 13 meat stalls and fish stalls.
- Any actions had not been taken by the Sabha to recover arrears of lease rents totalling Rs. 215,700 from 18 stalls under the purview of the Sabha.
- Approved tax of Rs. 45,000 had not been recovered by the Sabha in respect of towers of 06 Telecommunication Institutions under the purview of the Sabha.

#### 2.2.3 Stamp Duty Fees

Any actions had not been taken to recover arrears of stamp duty fees totalling Rs. 28,068,038 receivable from the Registrar General for the period from the year 2011 to the year 2015.

#### **2.2.4 Other Income**

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Action had not been taken by the Sabha either to recover arrears of becko loader for the period from 2013 to 2014 totalling Rs. 634,830 or to take a legal action in this regard for the last 04 years.

#### **2.3 Contract Administration**

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- (a) The Pradeshiya Sabha had constructed a vehicle park at the head office for which “H” type of iron pillar had been made use of. A depth of 0.6m was examined during which the actual measurement showed a linear length of 33.28 lm whereas the computation sheet showed a length of 41.20 lm. As a result, a sum of Rs. 27,720 had been overpaid for a length of 7.92 lm.
  - (b) The library of the Sub Office, Thalaimannar had been repaired by the Pradeshiya Sabha for which new windows had been fixed. In this connection, the actual size appeared to be 12.56 m<sup>2</sup> whereas the measurement according to the computation sheet, it was 16.09m<sup>2</sup>. As a result, a sum of Rs. 28,240 had been overpaid for a size of 3.53m<sup>2</sup>.

### **3. Operating Review**

#### **3.1 Management Weaknesses**

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- (a) The widows and orphans pension payable since the year 2004 had been shown in the accounts of the Sabha as Rs. 804,647. However, an interest had been calculated annually and shown in the department as Rs. 3,663,917 as at 31 December 2016. Action had not been taken to confirm this amount and make rectifications.
  - (b) Any actions had not been taken to recover the arrears due on behalf of becko loader totalling Rs. 102,700 receivable from Government and Non-Governmental Institutions, societies, temples and boards.

#### **3.2 Main Office and its Environment**

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- (a) The access gate of the main office had been damaged along with the retaining wall since February. However, action had not been taken to repair it and protect the office premises up to the date of audit.
  - (b) The head office appeared to be dirty and the building complex constructed together with head office had leakages during rainy season due to failure to faulty connection. This shows a lack of management relating to maintaining environment.

### **3.3 Unauthorized Expenditure**

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A sum of Rs. 200,000 had been allocated for “fixing name boards for library and sub offices of the Pradeshiya Sabha” under 5<sup>th</sup> programme of the project for Strengthening of Pradeshiya Sabhas 2016 through letter no. PL/3/1/47 dated 03 June 2016 of the Ministry of Provincial Councils and Local Government. However, the name board of the head office purchased at Rs. 145,000 through Voucher no. 12 dated 27 October 2016 had not been approved.

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

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### **4.1 Budgetary Control**

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Allocation of expenditures totalling Rs. 2,428,200 made by the budget for heads during the year under review had not been utilized ranging from 55 per cent to 100 per cent.

### **4.2 Assets Management**

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- (a) The Sabha had paid insurance charges of 05 vehicles which were being used by the Pradeshiya Sabha amounting to Rs. 4,332 to the insurance agents instead of paying it to the Insurance Corporation directly.
- (b) A damaged vehicle bearing No. 53-3325 had remained in unusable condition. Meanwhile 50 litres of diesel had been purchased for Rs. 4,750 by Fuel Order No. E/1 099140 dated 20 October 2015 which had not been settled up to now.
- (c) Revenue licences of 03 damaged vehicles had expired in the year 2013. However, the damaged condition of these vehicles had not been informed to the Divisional Secretary.

## **5. Systems and Controls**

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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) Register of Advances
- (f) Fixed Assets