

**Manthai West Pradeshiya Sabha
Mannar District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 30 March 2017 and the financial statements for the preceding year had been submitted on 30 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

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 Manthai West 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

1.3.1 Accounting Deficiencies

Two payments totalling Rs. 19,320 for the year 2015 had been shown as expenditure of the year under review, thus excess of income over expenditure had been understated by Rs. 19,320

1.3.2 Accounts Payable

According to the financial statements, a sum of Rs. 10,816,113 had been shown as payable as at 31 December 2016. However, a sum of Rs. 4,789,293 had not been settled even as at 10 June 2017.

1.3.3 Non-compliance with Laws and Regulations

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

Reference to Laws, Rules and Regulations	Non-compliances
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| (a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988
(i) 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 |
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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, thus action had not been taken to recover taxes on trade.

(ii) Rule No. 178(3)

The Sabha had not prepared a schedule in respect of institutions for supplying goods.

(iii) Rule No. 218

All lands and buildings had not been examined by the Secretary at least once in every year.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 104

An over payment of Rs. 160,700 had been rectified by the audit query of 2015 related to improvement work of playground, Adampan – 2015. However, any actions had not been taken by the Sabha against the officers who related to this loss.

(ii) Section 2(b) and 5 of Financial Regulation 371

Maximum amount of Rs. 20,000 should be paid as sub imprest in every individual instance. Further, an advance granted should be settled immediately after the completion of the purpose. However, this procedure had not been followed in 16 instances.

(iii) Financial Regulation 571

Action had not been taken to settle lapsed deposits totalling Rs. 3,878,757

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. 2,063,607 as compared with the corresponding excess of income over recurrent expenditure of Rs. 3,225,215 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	Arrears	Percentage
	Rs.	Rs.	Rs.	
Rents	7,022,000	8,921,915	1,899,915	27
License Fees	503,500	1,874,720	1,371,220	272
Charges for Services	3,105,850	6,277,565	3,171,715	102
Warrant Fees and Fines	3,645,000	7,414,672	3,769,672	103
Other Revenue	4,428,999	1,959,631	(2,469,368)	(56)
Government Grant	28,660,556	22,970,711	(5,689,845)	(20)
	47,365,905	49,419,214	2,053,309	

2.2.2 Rent of Stalls

A sum of Rs. 13,131,313 had been shown in the financial statements as receivable from market stalls and meat stalls under the purview of the Manthai West Pradeshiya Sabha during the year under review. However, a sum of Rs. 2,289,137 had not been recovered until 10 June 2017.

2.2.3 Other Income

Application forms for constructing 411 houses under the purview of the Manthai West Pradeshiya Sabha had been obtained by the Sabha. However, action had not been taken to recover processing fee of Rs. 863,100.

3. Operating Review

3.1 Operating Inefficiency

- A sum of Rs. 10,725,000 had been allocated for 19 works in the financial statements during the year under review. However, a sum of Rs. 9,425,000 had not been utilized for 15 works even as at 10 June 2017.
- There were a secretary, internal auditor, subject officers and revenue inspectors in the Manthai West Pradeshiya Sabha. However, there were shortfalls in recovering the following income due to administrative inefficiencies. (Details are as follows)

No.	Particulars	Amount
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		Rs.
01	Market stall and meat stalls income	1,515,201
02	Processing fee of housing schemes	863,100
03	Arrears of telecommunication tower	400,000
	Bicycle license plate	6,400

Total		2,784,701
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3.2 Assets Management

- (a) A vehicle bearing no. KX 4729 being used by the Pradeshiya Sabha during the year under review had been used by the Mannar Urban Council on 08 April 2015 whilst 40 liters of diesel had been purchased and recorded in the vehicle running chart. However, it had not been included in the vehicle fuel consumption account. As a result, a loss of Rs. 4,680 was incurred to the Sabha.
- (b) A fuel of Rs. 56,212 incurred to a becko loader bearing no. ZA 4595 for 591 liters of diesel had not been entered in the vehicle running charts during the year under review.

3.3 Solid Waste Management

The activities of burning and burying had only made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, any meaningful actions had not been taken by the Sabha to implement solid waste management including the compost and recycling projects.

4. Good Governance and Accountability

4.1 Presentation of Financial Statements

The word "Rupee" had not been mentioned in the trial balance and the revenue expenditure account.

4.2 Budgetary Control

Allocations of expenditure totalling Rs. 7,254,350 made for 26 heads by the budget during the year under review had not been utilized ranging from 40 per cent to 100 per cent.

4.3 Non-replied Audit Queries

An audit query no. NNP/MN/A/PS/MW/FA/2015/AQ21 had been issued during the year under review for which an explanation had been furnished could not be accepted. In this connection, a discussion was held with the Regional Assistant Commissioner of Local Government at the office of the Assistant Commissioner of Local Government during which

he informed that a committee will be set up to inquire in to this and furnished a reply in due course. However, no such reply had been furnished even by 10 June 2017.

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) Control of Store
- (e) Accounting