

**Musali Pradeshiya Sabha
Mannar District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 27 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman of the Sabha on 11 September 2018.

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 2017 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

Accounting policies adopted in preparing the financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiency

A loss of 91,500 incurred to the Sabha due to negligence of employees who recover service charges of drinking water in the preceding year had been omitted completely in the financial statements.

1.3.3 Unreconciled Differences

Even though cash and cash equivalents as at 31 December 2017 had been shown as Rs. 3,604,168 in the cash flow statement, it had been shown as Rs. 3,600,168 in the balance sheet of the year under review, thus a difference of Rs. 4,000 was observed.

1.3.4 Non-compliances

Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
-----	-----	-----
	Rs.	
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988		
(i) Rule No. 178(3)	-	A register including details of community based organizations and community centers which carry out contract works effectively had not been prepared.
(ii) 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		
Financial Regulation 371	286,610	Advances paid to officers of the Sabha and external parties for various activities had not been settled for the last 01 year to 19 years.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 1,957,197 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 4,738,377.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rentals	3,200,000	-	2,038,341	1,372,171	14,930,100	-	11,768,598	1,544,160
(ii) License Fees	240,000	-	421,100	-	1,401,650	-	1,518,317	-
(iii) Other Revenue	3,776,530	-	4,498,983	3,431,884	3,787,500	-	4,716,014	5,444,855

2.2.2 Rentals

The following matters were observed.

- (a) No meaningful actions had been taken by the Sabha to recover arrears of vehicle rent totalling Rs. 126,800 for the last two years.
- (b) No meaningful actions had been taken by the Sabha to recover lease rents totalling Rs. 1,238,924 receivable from 13 lessees for the last 01 year to 07 years.

2.2.3 Court Fines and Stamp Fees

Court fines of Rs. 21,470 and stamp fees of Rs. 2,170,383 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Performance

Solid Waste Management

The following matters were observed.

- (i) Environmental license had not been obtained for the places of disposing garbage.
- (ii) Sanitary labourers had not been subjected to medical test annually.
- (iii) Garbage had not been categorized separately and collected.
- (iv) Training in respect of waste management had not been provided to officers.
- (v) An information and data system required to waste management had not been maintained.
- (vi) Solid wastes had been set on fire in order to damage the environment without being subjected to recycling.
- (vii) Bye-laws had not been enacted for solid waste management.
- (viii) No actions had been taken to recover garbage tax for covering up the cost spent by the Sabha for waste management.

3.2 Irregular Transactions

Fine of Rs. 7,775 incurred in respect of 11 vehicles being used by the Sabha due to negligence of in charge officer of vehicle subject and driver had been paid from the fund of the Sabha.

4. Accountability and Good Governance

4.1 Internal Audit

An internal audit unit had been established in order to carry out the activities of the Sabha efficiently through audit of its activities. However, recommendation and specifications provided by the examination of internal account carried out for the year under review had not been made available to audit.

4.2 Budgetary Control

There was an adverse variance of Rs. 1,104,677 between the budgeted expenditure and actual expenditure in the year under review.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

Systems -----	Deficiencies -----
(a) Accounting	Main ledger had not been maintained properly.
(b) Revenue	No actions had been taken to assess the properties and recover assessment tax.