

Manmunai West Pradeshiya Sabha -2017
Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been submitted to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 13 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects 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 Manmunai West 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 Deficiencies

Following accounting deficiencies were observed.

- (a) According to the balance sheet of the prior year to the year under review, Accumulated funds and allocations amount was Rs.114,567,960. But, it was brought forward as Rs.116,068,693 as an opening balance of the year under review. As a result, the Accumulated fund had been increased by Rs.1,500,733 in the financial statements.
- (b) The amount Rs.4,624,780 received and spent under various projects. It had been credited and debited through deposit account, instead of crediting the material cost amount and debiting the capital amount. As a result, capital account and material cost accounts were left at Rs.4,624,780.
- (c) The rental income received Rs.727,200 by renting the JCB Vehicle in the year under review which had been shown in deposit account instead of income account. As a result, the revenue Rs.727,200 had been reduced.

1.3.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with laws, rules, and regulations during the audit were observed below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Section 134(1) of the Local Authorities Act No.15 of 1987	No action had been taken to collect the taxes for the lands and houses and buildings constructed thereon of the authoritative area of the Sabha.
(b) 1988 Pradeshiya Sabha (Financial and Administration) Rules	
(i) Section X of Chapter 193	Actual annual Income and Expenditure details for the year, compared to the Budget and explanation of contradiction statement had not been prepared and furnished to Audit.
(ii) Section X of Chapter 197	Consumer goods register had not been checked and signed at the end of each month by the Secretary.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 1645 and 1646	The Daily Running Charts with the Monthly Performance Summaries of the Sabha's vehicles must be submitted to the Auditor General on 15 th of the following month, but the daily running Charts with the Monthly Performance Summaries of Sabha's vehicles had not been submitted to the Auditor General.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of Revenue over Recurrent Expenditure for the year ended 31 December 2017 had amounted to Rs.5,728,470. Compared to this, the excess of Revenue over Recurrent Expenditure for the previous year amounted to Rs. 3,533,451 thus indicating an increase of Rs.2,195,019 in the financial

3. Performance Review

3.1 Performance

(a) Sustainable Development Goals

According to resolutions at the 2015 Sustainable Development conference chaired by the Head of States of United Nations, no action had been taken to develop measurable indicators for the development Agenda to be achieved by the Sabha by 2030.

(b) Solid Waste Management

The following observations are made.

- (i) A Solid Waste Management Centre was established at Soruwamunai at a cost Rs.1,972,691 during the years 2016 and 2017. However, it had not been used to date, due to people protest.
- (ii) The unsorted garbage and waste collected in the authoritative area of the Sabha is being dumped in the private land at Karaiyakanthivu, since the year under review and previous year. This has been endangered the environment and wild animals.

3.2 Management Inefficiencies

The following observations are made.

- (a) According to ledger maintained by the sabha in the year under review average cash balance was over Rs.18.6 million at the end of each month. However, the sabha failed to identify the needs of the people and implements the best programme with this money.
- (b) A funeral car was purchased at a cost of Rs.1,225,500 on 18 December 2017. But according to the letter number BT/MW/PS/SPS/2017 dated 10 July 2017 of the Secretary of the sabha, according to leaders of the Rural Development Association, Community leaders and the general public the purchase of a dead body vehicle would be of little benefits to the people. However, it was purchased without considered and the vehicle had been parked in the premises without any use from the date of purchase until the 12 April 2018.

3.3 Human Resources Management

The following issues were observed.

- (a) Even though, approved personal to the port of Management Assistant were 6, only 2 had been recruited to duty since 2016.

- (b) Although 7 public libraries were found within the authoritative area of the Sabha, the number of persons authorized for the post of librarian was 2. But only one was appointed for this position on 2 June 2017 and assistant librarians serve as librarians in other libraries.

3.4 Transactions of Continuous Nature

The following observations are made.

- (a) According to payment documents, 33,607 litres of diesel was purchased in 2015 and 2016. According to the fuel registry, 708 litres of diesel was the opening balance in 01 January 2015. 33,607 litres of diesel was purchased for Rs.3,192,627 for vehicle usage in 2015 and 2016. However, according to the vehicle registry only 30,470 litres of diesel was used in the year. As of 31 December 2016 there was only 375 litres of diesel instead of 3,845 litres of diesel. As a result Rs.329,650 worth 3,470 litres of diesel had been lost to the Sabha.
- (b) 04 employees were named work for daily basis of the Sabha by a letter dated 30 March 2017 of the Local Government Commissioner of the Eastern Province, for the purpose of employing employees in the Local Government Councils under the Dengue Eradication Programme. However, Rs.304,700 was paid by the Secretary of the Sabha to 14 employers who were obliged to carry out dengue Eradication without giving any letters of appointment in the year under review. The officer incharge of this matter stated in writing that the daily registration of these employees had been stolen. Also, the signature of some of the recipients of the cheque for the dengue Eradication work and the signature on the vouchers had been distinguished according to the cheque record maintained by the Sabha.

3.5 Unutilized and Underutilized Assets

EP-LE 7516 number motor lorry belonging to the Sabha had been parked at the Sabha's premises without being used since 2013. However, no action had been taken to rectify or auction them.

3.6 Contact Administration

In accordance with the Local Government Guideline 3/2017 dated 24 March 2017 when preparing estimates for the 1000km long road development program in rural areas, it is noted that the approval of the Provincial Council Engineer should be ascertained in terms of size and accuracy of the calculations. However, the estimates made for the construction of 5 concrete roads in different places were uniformly unchanged. This reveals that it had not been prepared as an internal assessment by visiting the appropriate places by technical officers.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

Variances ranging from 39 per cent to 99 per cent were observed on the income received amounted to Rs.1,100,160 although it had been estimated Rs.6,045,000 for 5 income varieties.

4.2 **Systems and Controls**

Special attention is required in respect of the following items of systems and controls.

Controls	Items that need special attention
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(a) Accounting	Should be maintained the ledger accounts in an updated and proper manner.
(b) Preparation of Budget	Relevant subjects should be analyzed and considered While prepare the budget
(c) Revenue Management	Should be identified of revenue sources and to be taken necessary action to collect the same.