

Manmunai South-West Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 09 April 2014 and the financial statements for the preceding year had been presented on 06 May 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 04 December 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Manmunai South-West Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Compliance with Sri Lanka Public Sector Accounting Standards

The financial statements had not been prepared in accordance with the Public Sector Accounting Standards, as stipulated in the Circular No. PL/05/PA/SFPSAS dated 27 January 2014 issued by the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2. Accounting Deficiencies

Provisions had not been made in the accounts for the audit fees of Rs.16,000, payable in respect of the year under review.

1.3.3. Accounts Receivable

The following observations are made.

- (a) Action had not been taken till the end of the year under review, either to recover or to write-off, the lease rent in arrears amounting to Rs.232,000, due from the leaseholders of the trade stall in the Public Market (*Mahajana Pola*), in respect of the period from 2010 to 2012.
- (b) Action had not been taken till 31 July 2014 to recover the loan balances amounting to Rs.343,139, due from four officers.
- (c) The salary for the year 2012 and an advance payment of Rs.47,255 for the year under review, in respect of the Technical Assistant connected to the project, had been paid to the Programme Director of the JICA Project, but the Sabha had not taken action till 31 July 2014 to recover this amount.

1.3.4. Lack of Evidence for Audit

The evidence indicated against the following subjects in the financial statements, had not been submitted to the audit.

Subjects	Value – Rs.	Evidence not submitted
Lands and Buildings	134,144,716	Title Deeds
Plant and Machinery	1,027,926	} Registers of Fixed Assets, Detailed Schedules of Assets, Reports of Survey Boards
Furniture	4,867,033	
Library Books	1,530,911	

1.3.5. Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance with Laws, Rules and Regulations were observed during the Audit.

Reference of Laws, Rules and Regulations

Non-compliance

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| (a) Section 134 (1) of Pradeshiya Sabha Act No. 15 of 1987 | Action had not been taken to identify the non-moveable assets within the authority of the Sabha, and collect the rates and taxes after computing the annual assessment of those assets. |
| (b) Pradeshiya Sabha (Finance and Administration) Rules - 1988 | |
| (i) Section 5 (XII) of Chapter I | Though functions such as finance, stores materials, and signing of cheques, had been entrusted systematically to three officers, security deposits had not been obtained from them. |
| (ii) Section 81 of Chapter III | Action had not been taken at the end of each quarter to submit; applications to the Registrar General for the reimbursement of stamp taxes with respect to the vesting of ownership of lands; applications to Director of the Treasury for the reimbursement of taxes with respect to other transactions; applications to the Registrars of Courts for the reimbursement of fines. |

2. Financial Review

2.1. Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.2,972,227, as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,053,645 in the preceding year. Therefore financial result of the year under review had been improved by Rs.1,918,582 in comparison to the preceding year.

2.2. Revenue Management

2.2.1. Rates and Taxes

Action had not been taken as stipulated in Section 134 of Pradeshiya Sabha Act No. 15 of 1987, to recover the rates and taxes for the period from 2005 to end of the year under review, in respect of the lands, and constructed houses and buildings, situated within the area under the authority of the Sabha.

2.2.2. Stamp Fees

The required action had not been taken to compute the stamp fees, receivable as at 31 December 2013 and recover the amount from the Registrar General.

3. Operating Review

3.1. Idle Assets

- (a) It was observed during the audit examination carried out on 30 May 2014 that the “Roller and Twin Drum Roller” received as a donation from the organization – USAID, in the year 2011, had remained idling in the vehicle yard over a period of 02 years, as it had not been repaired.
- (b) 03 trade stalls out of 12 trade stalls in the Public Market (*Mahajana Pola*) Building Complex of the Sabha had been kept idling till 31 July 2014, without taking required action to lease them out.

4. Accountability and Good Governance

4.1. Internal Audit

Though the Section 8 of the Local Government Restructure Circular No. 03 dated 08 November 2005 stipulates that each Local Authority should establish an internal audit section depending on their capacity, an internal audit section had not been established in the Sabha.

4.2. Budgetary Control

The variances in the range of, 50% to 75% were observed between the estimated expenditure and the actual expenditure. Therefore it was observed that the budget had not been made use of as an effective tool of management control.

5. Systems and Controls

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

- a) Fixed Assets Control
- b) Revenue Management
- c) Budgetary Control