

Manthai East Pradeshiya Sabha

Mullaitivu District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 20 March 2014 and the financial statements for the preceding year had been presented on 25 June 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 September 2014.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters described in paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Manthai East Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (i) The accounting deficiencies observed in the financial statements are shown in the following table under assets and liabilities.

Effect on Financial Statements	Assets		Liabilities	
	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.
Understatements	01	1,675	-	-
Overstatements			02	357,445
Classification Errors			01	2,500

- (ii) Twenty two items donated to the Sabha by governmental and non-governmental institutions had not been valued and brought to accounts.
- (iii) Four vehicles of the Sabha had not been valued and brought to account. As a result, the value of vehicles had been understated in the accounts.

1.3.2 Unreconciled Accounts

Court fines amounted to Rs.10,172,454 as per main ledger whereas it was Rs.10,012,799 as per final accounts.

1.3.3 Lack of Evidence for Audit

Transactions valued at Rs.415,130 could not be satisfactorily vouched in audit due to non rendition of necessary information for audit.

1.3.4 Noncompliance

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

Reference to Laws, Rules, Regulations

Non-compliance

1988 Pradeshiya Sabha (Finance and Administration) Rules – Chapter V – Section 140

The Secretary had not taken action with regard to unsettled advances amounting to Rs.1,377,412.

Pradeshiya Sabha Act No.15 of 1987 Section 132 (h)

Prior approval of the Minister is required for entertainment expenditure exceeding Rs.1,000. But, a sum of Rs.40,958 had been spent from the funds of the Sabha without such approval.

Chapter VI Section 5 Sub Section 237

A cheque for Rs.1,050 drawn on 19.6.2013 remained unrepresented for payment. Action had not been taken in this regard.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year under review was Rs.10,944,203 as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,065,559 for the preceding year.

2.2 Financial Control

The budget had not been properly prepared so that there were differences between the budgeted revenue and expenditure and the actual revenue and expenditure which amounted to Rs.5,499,877 and Rs.1,129,951 respectively.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	-	-	-
Lease Rent	250	202	-
Licence Fees	3,340	225	-
Other Revenue	1,600	10,375	10,081
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	5,190	10,802	10,081
	=====	=====	=====

2.3.2 Court Fines

The court fines due for the year under revenue amounting to Rs.10,012,799 had been accounted for, as receivable. Action had not been taken to recover it.

2.3.3 Arrears of Revenue

- (i) Arrears of stall rent and lease rent amounting to Rs.68,054 for the year under review had not been recovered upto the date of this report.
- (ii) The stall rent had not been revised once in 5 years as required by the Circular No.LCP/PL/4/7/19 of 4 October 1994 of the Commissioner of Local Government.

2.4 Assets Management

- (i.) The following items donated to the Sabha under the World Food Programme remained idle at the stores.

<u>Item</u>	<u>Qty</u>
Carts	26
Mammoties	122
Spades	43
Knives (Big)	3
Knives (Small)	8
Flower Baskets	4

- (ii) Two generators and two water pumps received from the Commissioner of Local Government in 2011 remained idle at the stores for 3 years.
- (iii) Electrical fittings purchased during the year under review remained idle at the stores.

2.5 Operating Inefficiencies

A sum of Rs.10,802,822 had been allocated to the Development Reserve Fund. But, a sum of Rs.4 million only had been deposited in fixed deposits showing the inefficiency in operations.

3. Systems and Controls

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

- (i) Advances
- (ii) Collection of Revenue
- (iii) Fixed Assets