

**Manthai West Pradeshiya Sabha  
Mannar District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 28 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 December 2014.

**1.2 Opinion**

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In my opinion, except for the effects on the financial statements of the matters referred to 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 West 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**

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**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed.

- (a) The accounting policies adopted in preparation of financial statements had not been disclosed.
- (b) Miscellaneous deposits aggregating Rs.176,370 had been shown as unsettled deposits although the work concerned had been completed.

### 1.3.2 Non-compliance

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

Reference to Laws, Rules, Regulations -----	Non-compliance -----
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules -----	
(i) Rule No. 5 (xii)	Adequate security deposits had not been obtained from the officers dealing with cash, stores etc.,
(ii) Rule No.59	A survey of business entities within the area of the Sabha had not been carried out at the commencement of the year by revenue officers or an officer authorized by the Chairman so as to prepare a list of business entities to collect revenue.
(iii) Rule No. 76	Action had not been taken by the Sabha to recover lease rent of stalls amounting to Rs.957,327.
(iv) Rule No. 216	Land and buildings had not been checked by the Chairman at least once a year.
(b) Treasury Circular No.IAI/2002/02 of 28 November 2002	A register of fixed assets had not been maintained for computers and accessories.
(c) Public Administration Circular No.41/90 of 10 October 1990	Fuel consumption of by vehicles of the Sabha had not been tested once in 6 months.
(d) National Environmental Act No.47 of 1980 as amended by Act No.86 of 1988.	Local authorities had been authorized to issue environmental licences. But, the Sabha had not issued such licences to 9 beef stalls resulting in a loss of revenue to the Sabha.

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

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Financial Regulation 570

Action had not been taken with regard to lapsed deposits aggregating Rs.26,966,638.

(f) Establishments Code

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Chapter xxiv  
Section 4

Action had not been taken to recover arrears of salary advances of Rs.87,150 from 4 officers till 31 December 2013.

**2. Financial Review**

**2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 was Rs.6,871,256 as compared with the excess of revenue over recurrent expenditure amounting to Rs.3,489,957 for the preceding year.

**2.2 Revenue Administration**

**2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue**

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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.	Rs.	Rs.
Lease rent	2,959,400	2,519,340	957,327
Licence fees	550,750	370,890	-
Service charges	6,280,420	5,637,722	209,180
Warrant charges, fines and surcharges	1,500,000	2,820,730	7,110,445
Others	1,435,000	1,751,226	-
Total	12,725,570	13,099,908	8,776,952
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### **2.2.2 Arrears of Rent**

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The Sabha had not taken action to recover the arrears of rent and tender deposits of Rs.957,327 from 12 stalls.

### **2.2.3 Stamp Fees**

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A sum of Rs.695,195 was due as stamp fees as at 31 December 2013.

### **2.2.4 Internal Audit**

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Adequate internal audit had not been carried out at the Sabha.

## **3. Systems and Controls**

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

- (a) Accounting
- (b) Financial Control
- (c) Revenue
- (d) Assets
- (e) Contracts