

**Musali Pradeshiya Sabha
Mannar District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 25 April 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

Because of the significance of the matters described in paragraph 1.3 of this report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The accounting policies adopted in preparation of financial statements had not been disclosed.
- (b) Adequate ledger accounts had not been maintained for assets, liabilities, revenue and expenditure. Journal entries had not been furnished for audit.
- (c) The court fines of Rs.571,665 for the year under review had not been accounted for, resulting in an understatement of revenue by Rs.571,665.
- (d) Expenditure on land and improvements to land amounting to Rs.639,548 for the year under review had not been accounted for.
- (e) Provision for audit fees had not been made for the year 2013.
- (f) Provision had not been made for expenditure of Rs.283,008 incurred in the previous year.

1.3.2 Non-compliance

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) Pradeshiya Sabha (Finance and Administration) Rules-1988 | |
| (i) Rule 5 (xii) | The Chairman had not confirmed acceptance of adequate security deposits from officers dealing with cash and stores. |
| (ii) Rule 13-14(2) | The budgeted expenditure had been exceeded by Rs.2,813,071 for which a supplementary estimate had not been approved. |
| (iii) Rule 29 | A survey of trade establishments had not been carried out and a list prepared at the commencement of the year. |
| (iv) Rule 218 | Land, buildings and properties had not been subjected to verification as at end of the year under review. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | |
| (i) Financial Regulations 371(5) and 373(1) | Action had not been taken to settle balances of advances amounting to Rs.533,061 as at 31 December 2013. |
| (ii) Financial Regulation 571(2) | Action had not been taken with regard to lapsed deposits of Rs.405,510 as at 31 December 2013. |
| (c) Environmental Act No.47 of 1980 as amended by Act No.86 of 1988. | The Sabha had not obtained permission for 2 slaughter houses. |
| (d) Treasury Circular No.1A1/2002/02 of 28 November 2002 | Register of fixed assets had not been maintained for computers and accessories. |
| (e) Government Procurement Guidelines | |
| Chapter III Section 3:4:3 | Annual registration of suppliers had not been done. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year under review was Rs.2,318,791 as against the excess of revenue over recurrent expenditure amounting to Rs.178,194 for the preceding year.

2.2 Revenue Administration

2.2.1 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 |
|---------------------------------------|-----------|-----------|--------------------------------------|
| ----- | ----- | ----- | ----- |
| | Rs. | Rs. | Rs. |
| Lease rent | 2,550,000 | 2,491,587 | 689,000 |
| Licences fees | 270,000 | 1,095,000 | - |
| Service charges | 1,245,000 | 777,025 | - |
| Warrant charges, fines and surcharges | 600,000 | - | - |
| Others | 243,500 | 107,085 | 171,344 |
| Total | 4,908,500 | 4,470,697 | 860,344 |
| | ===== | ===== | ===== |

2.2.2 Stamp Fees

The Sabha had not taken action upto now to obtain the stamp fees of Rs.2,363,894 due for the period 2006 to 2013.

2.2.3 Revenue Recoverable

The arrears due to the Sabha as at 31 December 2013 on stall rents, rent from ploughing machines and rent from beef stalls was Rs.689,000. Action had not been taken to recover it in terms of the Pradeshiya Sabha Act No.15 of 1987.

3. Operating Review

3.1 Management Inefficiencies

Utilization of Vehicles

The following deficiencies were observed at an examination of daily running charts, register of fuel and log books of 41 vehicles of the Sabha.

- (i) Revenue licences and insurance coverage had not been obtained for 28 vehicles.
- (ii) Daily running charts of all vehicles had not been furnished for audit.
- (iii) Consumption of fuel by vehicles had not been tested once in 6 months as required by the Public Administration Circular No.41/90 of 10 October 1990.
- (iv) The ownership of 41 vehicles had not been transferred to the Sabha.

3.2 Idle and Underutilized Physical Resources

The following vehicles and machines remained idle for a long period.

| Vehicle No. | Type of Vehicle | Idle Period |
|-------------|-------------------------|-------------|
| ----- | ----- | ----- |
| 3191 | Harvesting Machine | 3 years |
| - | Concrete Mixing Machine | 3 years |
| LE 6500 | Water Bowser | 2 years |
| SH 0701 | Trailer | 2 years |
| 10 M | Ploughing Machine | 2 years |

3.3 Internal Audit

Internal audit had not been carried out at the Sabha

4. Systems and Controls

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

- (i) Accounting
- (ii) Financial Control
- (iii) Revenue
- (iv) Assets
- (v) Contracts