

Manmunai South-West Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 16 April 2015 while Financial Statements relating to the preceding year had been submitted on 09 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 07 August 2015.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Manmunai South-West Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Public Sector Accounting Standards of Sri Lanka

Although Cash Flow Statements had been submitted with the financial statements, those had not been properly prepared in accordance with the Public Sector Accounting Standards 2.

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Provision for Audit Fees payable for the year under review amounting to Rs.16,000 had not been made in the accounts.

- (b) A sum of Rs. 34,170 spent for repairing the Photo Copying Machine, purchase of Rubber Stamp and Cricket Balls which are recurrent expenditure items, had been shown as Fixed Assets in the Financial Statements.

- (c) Although there were 20 vehicles belong to the Sabha, those had not been assessed and taken to accounts.
- (d) A sum of Rs. 189,078 spent for the purchase of electric bulbs had been accounted as Fixed Assets in the financial statements.

1.3.3 **Non-reconciled Control Accounts**

Following matters were observed.

- (a) Although the Staff loans balance as at 31 December 2014 was Rs. 2,619,676, according to the ledger, it had been Rs.2,776,184 according to Loans Register as at that date, indicating a difference of Rs. 156,507.
- (b) Although the Deposits balance as at 31 December 2014 was Rs. 6,327,793 according to the Deposits Register, it had been Rs.5,372,260 according to the total of individual Deposit Accounts amounting to Rs. 5,372,260, indicating a difference of Rs. 955,532.
- (c) Although the Advances balance as at 31 December 2014 was Rs.11,483,632, according to the Register of advances, it had been Rs.48,286 according to the total of individual Advance Accounts, indicating a difference of Rs. 1,435,346.

1.3.4 **Accounts Receivable and Payable**

Following observations are made.

- (a) Although the loan balances totaling Rs. 189,947 due to be recovered from two officers who had vacated service and deceased had been in arrears since three years, action had not been taken to recover those up to 10 July 2015.
- (b) Although 13 contracts entrusted to Rural Development Societies had been completed during the year 2010, action had not been taken to reimburse retention money amounting to Rs. 35,200.

1.3.5 Lack of Evidence for Audit

Evidence indicated against following items shown in the financial statements had not been furnished to audit.

Item	Value	Evidence not furnished
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	Rs.	
Stores Stocks	102,009	Register of Stores and Board of Survey Reports
Employees Security Deposits	2,650	Details relating to employees furnished Security

1.3.6 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

Following Instances of non-compliance with Laws, Rules and Regulations were observed in audit.

References to Laws, Rules and Regulations etc.

Non-compliance

(a) Pradeshiya Sabha (Financial and Administrative)

Rules – 1988

(i) Chapter I Section 5 (XII)

- Although functions such as cash and stores materials had been assigned administratively to four officers, security deposits had not been obtained from them.

(ii) Chapter III Section 81

- Applications for reimbursement of Stamp Duty connected with transfer of ownership of lands to the Registrar General, applications for reimbursement of taxes connected with other transactions to the Director, General Treasury and applications for reimbursement of fines to the Registrars of Courts had not been submitted at the end of each quarter.

2. **Financial Review**

2.1 **Financial Results**

According to the Financial Statements presented, financial result for the year under review had been an excess of revenue over recurrent expenditure amounting to Rs.8,426,849. The corresponding excess of revenue over recurrent expenditure for preceding year had been Rs.2,972,227 indicating an improvement in a sum of Rs. 5,454,622 in the financial results.

2.2 **Revenue Administration**

2.2.1 **Rates and Taxes**

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

2.2.2 **Court Fines and Stamp Fees**

(a) Although the Stamp Fees receivable for the period from year 2010 to the end of the year 2014 from the Registrar General is Rs. 8,997,026, out of that only sum of Rs. 6,441,411 had been received. Up to now, necessary action had not been taken to get the balance sum of Rs. 2,555,515 from the Registrar General by the Sabha. Details are shown below.

Year	Stamp Fees Receivable	Stamp Fees Received	Arrears
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	Rs.	Rs	Rs.
2010	731,901	580,251	151,650
2011	1,792,260	1,558,388	233,872
2012	1,854,094	1,596,518	257,576
2013	2,283,321	1,957,816	325,505
2014	2,335,450	748,438	1,587,012
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	8,997,026	6,441,411	2,555,615
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(b) **Court Fines**

Court Fines amounting to Rs. 473,100 relevant to the year 2014 had not been recovered.

3. **Operating Review**

3.1 **Management Weaknesses**

- (a) Although a sum of Rs. 41,500 had been shown as un-identified receipts in the bank reconciliation statement since December 2012, action had not been taken to identify and settle that amount.
- (b) Stamp Duty amounting to Rs. 6,200 recovered from salary payments of the Sabha employees during the year 2014 had been accounted in the Deposits Account without being remitted to the Department of Inland Revenue.
- (c) Although the amount of monthly telephone charges of the Secretary of the Pradeshiya Sabha had been limited to Rs. 4,000 according to the Public Finance Circular No. 446 dated 01 September 2010, a sum of Rs. 73,959 had been paid out of Sabha funds as his telephone charges. However, action had not been taken up to now to recover overpaid sum of Rs. 25,929 as his telephone charges from his salary.

3.2 **Idle Assets**

- (a) It was observed at the audit inspection carried out on 23 June 2015 that the Roller Machine received as a donation from the US Aid Institution during the year 2011 had been parked in the vehicle yard of the Sabha due to failure in taking action to repair it and use.
- (b) Three stalls out of 12 stalls in the Public Market Building Complex had been kept idle during the period from January 2012 to 10 July 2015 due to failure in taking action to lease out.

4. **Systems and Controls**

Special attention is needed in the following areas of controls.

- (a) Fixed Assets Control
- (b) Revenue Administration.