

**Manthai West Pradeshiya Sabha
Mannar District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been submitted to audit on 30 March 2016 and the financial statements for the preceding year had been submitted on 26 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 24 January 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Manthai West Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The financial statements had not been prepared in compliance with the Public Sector Accounting Standards in terms of circular No. PL/05/PA/SFPSAS dated 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Opening balance of accumulated fund and reserve in the financial statements for the year under review had been over stated by Rs. 1,916,700.
- (b) 17 items aggregating to Rs. 571,279 had been erroneously classified in the financial statement for the year under review.

1.3.3 Payables

Action had not been taken to settle 18 items of payable Rs. 1,187,388

1.3.4 Non-compliance with Laws, Rules and Regulations

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

**Reference to Laws, Rules, Regulations
and Management Decisions etc**

Non – Compliance

(A) 1988 Financial Management Rules of
Pradeshiya Sabha's

i) section 5(xii)

Security moneys had not been obtained from
the officers who are responsible for cash, store
item, etc.

ii) section 178(3)

A schedule of suppliers had not been prepared.

iii) section 218

Although all lands and buildings should be
examined by the Chairman or authorized
officer at least once in every year, such
examination had not been carried out.

(B) Financial Regulation of Democratic
Socialist Republic of Sri Lanka
Financial Regulation 371

Advance Rs. 175,741 paid from the year 2013
to 2015 had not been settled.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, operations of the Sabha for the year ended 31
December 2015 had resulted income over recurrent expenditure of Rs. 3,225,215 as
compared with the corresponding income over recurrent expenditure of Rs. 5,448,700 for the
preceding year, thus indicating a deterioration of Rs. 2,223,485 in financial results. The main
reasons for were increases in recurrent expenditure and capital expenditure for the Sabha.

2.2 Revenue Management

2.2.1 Performance of Revenue Collection

Difference of Rs. 11,416,793 had been observed between the estimated revenue and the actual
revenue for the year under review.

2.2.2 Rents

Meaningful action had not been taken to recover the arrears of rent Rs. 861,689 on shops
belong to the Sabha.

2.2.3 Stamp Fees

Action had not been taken to recover stamp fees of Rs. 11,078,437 which is receivable from
the Registrar General.

2.2.4 Other Income

The following observations are made.

- (a) Although towers were within the area of the Sabha, rent and license fees of 04 telecommunication towers had not been recovered.
- (b) Action had not been taken to recover Rs. 908,164 the revenue from various sources which were receivable within the purview area of the Sabha.

3. Operating Review

3.1 Performance Report

Annual performance report had not been prepared by the Sabha up to 10 August 2016. In terms of paragraph 1:4:1 of letter No. PF/R/2/2/3/5/(4) dated 10 March 2010 of Director General of Central Government.

3.2 Contract Administration

(a) Improvement Work of Adampan Playground – 2015

Over payment of Rs. 160,700 had been made as the measurement sheet had been prepared excessively over the actual quantity of work done

(b) Tube Well, Drinking Water Supplying Tank and Installation of Pipe Periyapandivirichchaan.

- (i) Even though open bidding to be adopted for the above work by the letter no. NP/14/42(1)/PSDG/MWPS/CTW & WT/2012 dated 17.08.2012 of Regional Assistant Commissioner of Local Government, contractor had been selected by shopping method.
- (ii) Respective work had been approved by the Technical Evaluation Committee without submitting technical drawing.
- (iii) Approval of the Procurement Committee. had not been obtained.
- (iv) Basis adopted for the estimated Rs. 650,000 and Rs. 200,000 for the works of water pump and installing tube well were not made available as price study for estimated prepared were not submitted.
- (v) Estimated price of water pump of above work were made over the market price by Rs. 605,000.
- (vi) Warranty card for water pump fixed for above work by the contractor had not been submitted.

(vii) Although above works had been constructed in an expenditure of Rs. 2,500,000 in the year 2012, the electricity connection were not given up to now as such there were no any benefit obtained by the beneficiaries in respect of water supply for the period of 04 years up to the year 2016.

(viii) Tube well and water pump had been constructed in the of private land.

(c) Excess work of Periyapandivirichchaan Water Tank - 2012

Over payment of Rs. 100,810 had been made due to over stated measurements of quantity and value than actual work done.

4. Good Governance and Accountability

Budgetary Control

The following observation were made.

- (a) Allocations Rs. 13,200,027 in respect 38 heads of the budget during the year under review had not been utilized from 40 per cent to 100 per cent.
- (b) Entire allocations of expenditures Rs. 1,114,272 of 22 of the capital works of the budget during the year under review had not been utilized.
- (c) Various expenditures of 05 capital works amounting to Rs. 568,654 had been made excessively even which was not estimated by the Sabha.

5. Systems and Controls

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

- (a) Collection of Revenue
- (b) Budgetary Control
- (c) Accounts Receivable
- (d) Control of Store
- (e) Accounting