

Manthai East Pradeshiya Sabha
Mullaitivu District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 21 March 2016 and the financial statements for the preceding year had been presented on 20 March 2015. The report of the Auditor General for the year 2015 was issued to the Secretary of the Sabha on 05 May 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters referred in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Manthai East 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

Accounting policies adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

Following observations were made.

- (a) The value of 149 Nos. of items donated by Government and Non- Government Organizations about 03 years ago had not been assessed and brought to the financial statements.
- (b) The value of 06 vehicles presently used by the Sabha had not been assessed and brought to the financial statements.
- (c) The value of 09 Properties belongs to the Sabha had not been assessed and brought to the financial statements.
- (d) Stamp duties aggregating Rs. 30,000 to be recovered from the Commissioner General of Lands for the years 2010 and 2011, had not been brought to the financial statements. Thus the value of the accumulated fund had been understated.

1.3.3 Accounts Receivable and Payable

Action had not been taken to recover 07 categories of revenue aggregating Rs.4,878,104 outstanding over 01 year.

1.3.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances
(a) Pradeshiya Sabhas (Financial and Administrative Rules) of 1988	
(i) Rule 24 of Chapter III	Action had not been taken to publish the schedule of roads and lanes belong to the Pradeshiya Sabha within three years of its establishment in the Government Gazette.
(ii) Rule 33 of Chapter III	A survey had not been conducted with regard to Rates and taxes
(iii) Rule 140 of Chapter V	Action had not been taken in connection with un-settled advances aggregating Rs. 58,442.
(iv) Rule 180 of Chapter IX	Security deposits had not been obtained from the officers entrusted with work relating to cash and stores.
(b) Circular No.41/90 of 10 October 1990 of the Ministry of Public Administration and Home Affairs.	Fuel consumption tests had not been made in respect of vehicles belong to the Sabha.
(c) Procurement Guidelines of the year 2006	
(i) Section 5.4.12	After making payment of Value added tax, details of such payment had not been sent to the Commissioner General of Inland Revenue with a copy to Auditor General, on or before the fifteenth day of the ensuing month.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) No. 571	Action had not been taken in respect of 25 time lapsed deposits aggregating Rs. 36,672 during a period ranging from 02 to 04 years.

2. Financial Analysis

2.1 Financial Results

According to the financial statements presented, the excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.11,825,705 as compared with the excess of income over recurrent expenditure amounting to Rs. 3,275,448 thus indicating an increase of income over recurrent expenditure in a sum of Rs.8,550,257 for the year under review as compared with the preceding year. The main reason for the improvement was increase in recurrent grants for the sabha.

2.2 Analytical Financial Review

According to the financial statements presented ,Financial results of the Sabha for the year under review had resulted a net surplus of Rs. 547,824 as compared with the corresponding net surplus of Rs. 3,162,948 for the preceding year, thus indicating a decrease of financial results in a sum of Rs.2, 615,124 for the year under review.

2.3 Financial Review

Working Capital Management

According to the financial statements presented, working capital of the Sabha for the year under review had been Rs. 19,691,486 when it is compared with the corresponding working capital of Rs. 19,301,317 for the preceding year it indicated an increase of working capital in a sum of Rs.390,169 for the year under review.

3. Operating Review

3.1 Management Inefficiencies

Action had not been taken to fill 15 vacancies in the cadre of the Sabha .

3.2 Asset Management

Following observations were made.

- (a) 36 Nos. of Mammoties and Showels received from World Food Programme in the year 2010, had been allowed to be idled at the store of the Sabha during last 06 years.
- (b) Actions to be taken in respect of report on Annual Board of Survey for the year under review in terms of Financial Regulation 757 were not made available for audit up to the date of audit.

3.3 Contract Administration

Contracts had been directly awarded to the Community Based Organizations contrary to the Ministry of Finance and Planning Circular No. 01/2012 of 05 January 2012, Those Community Based Organizations did not possess the financial capacity. Further the

recommendation of procurement committee of the Sabha had not been obtained for awarding the contracts. The progress reports of those works requested by audit had not been submitted to audit.

3.4 Delays in Project

Nine Projects aggregating Rs. 1,570,000 each valued at Rs. one million had been commenced during the year under review. However Project works had not been completed up to the end of the year under review. Further, value of work amounting to Rs.1,570,000 had been shown in the accounts as expenditure and credited to sundry creditors account. However, action had not been taken by the Sabha to execute these work even up to the end of the year under review.

3.5 Solid Waste Management

While course of action such as burning and burying garbage removed in the area of authority of the Sabha, only had been carried out by the Sabha, compost and recycling programs had not been implemented..

4. Accountability and Good Governance

4.1 Budgetary Control

Budget Estimates had not been prepared properly and the variances between the budgeted expenditure and the actual expenditure ranged from Rs. 63,369 to Rs.1,916,711 were observed.

4.2 Procurement Plan

Procurement plan and Procurement time Frame of the Sabha had not been prepared for the year under review in terms of Section 4.2 of the Procurement Guidelines of the year 2006.

4.3 Internal Audit

Course of action had not been taken either to establish an internal audit unit or to carry out internal audit examinations of the activities of the Sabha effectively relevant to the year under review.

4.4 Audit and Management Committee Meeting

Although at least 04 meetings of Audit and Management Committee should be conducted in terms of Department of Management Audit Circular No. DMA/2009(1) of 09 June 2009 of the Secretary to the Ministry of Finance and Planning., any such meetings had not been conducted during the year under review

5. Systems and Controls

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

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Accounting
- (iv) Cadre
- (v) Utilization of Vehicles
- (vi) Miscellaneous Deposits
- (vii) Budgetary Control
- (viii) Procurement Procedure