

Manthai East Pradeshiya Sabha
Mullaitivu District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 28 March 2017 and the financial statements for the preceding year had been presented on 21 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 31 August 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 2016 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 had to be adopted in preparing and presenting, had not been disclosed in the financial statements of the Sabha for the year under review.

1.3.2 Accounting Deficiencies

Following observations were made.

- (a) The Value of 56 Nos. of items donated by Government and Non- Government Organizations had not been assessed and brought to the financial statements over last 04 years.

- (b) The Value of 09 Nos. of Properties belongs to the Sabha had not been assessed and brought to the financial statements. Thus, the fair value of those Properties could not be satisfactorily ascertained in audit.

- (c) 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 Receivables

Action had not been taken to recover the 06 types of outstanding revenues aggregating Rs.6,903,369 which were outstanding over 01 year.

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

The following instances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances
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(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988	
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(i) Rule 24 of Chapter III	
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Even though it should be published the detail of Streets and lanes belongs to the Pradeshiya Sabha within three years of its establishment, these details had not been published in the Gazette of Democratic Socialist Republic of Sri Lanka.

(ii) Rule 33 of Chapter III	
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Assessment on rates had not been made during the year under review.

(iii) Rule 140 of Chapter V	
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Action had not been made on un-settled advances aggregating Rs. 1,925.

(iv) Rule 180 of Chapter IX	
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Security deposits had not been obtained from the officers with the custody of cash and stores.

(b) Procurement Guidelines of the year 2006	
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(i) Section 5.4.12	
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After making the payment to cover Value added tax, details of such payment had not been informed to the Commissioner General of Inland Revenue with a copy to Auditor General, on or before the 15th day of the following month.

2. Financial Review

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 2016 amounted to Rs.11,436,675 as compared with the excess of income over recurrent expenditure amounting to Rs. 11,825,705 thus indicating a deterioration of income over recurrent expenditure of Rs.389,030 for the year under review as compared with the preceding year. The main reason for the deterioration was increases in recurrent grants payment of the sabha.

2.2 Analytical Financial Review

Financial results of the Sabha for the year under review had resulted a net surplus of Rs. 55,386 as compared with the corresponding net surplus of Rs. 547,824 for the preceding year, thus indicating a deterioration of financial results of Rs.492,437 for the year under review.

2.3. Working Capital Management

Working Capital of the Sabha for the year under review had resulted Rs. 28,097,498 as compared with the corresponding Working Capital of Rs. 19,691,486 for the preceding year, thus indicating an increase of working capital of Rs.8,406,012 for the year under review.

2.4 Revenue Management

2.4.1 Revenue Collection Performances

Information on the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Sabha is shown below.

Item of Revenue	Estimated Amount	Actual Amount	Cumulative Arrears as at 31 December 2016
	Rs.000	Rs.000	Rs.000
Rates and Taxes	-	-	-
Rent and Lease Rent	619	686	233
Licence Fees	178	366	-
Other Revenue	6,580	14,376	5,672
Total	<u>7,377</u>	<u>15,428</u>	<u>5,905</u>

2.4.2 Rates and Taxes

Register of Assessment for the rates and taxes had not been maintained in terms of Section 32 of Chapter III of Pradeshiya Sabha (Financial and Administration) Rules of the year 1988.

3. Operating Review

3.1 Management Inefficiencies

Action had not been taken to fill the 12 Nos. of vacancies in the cadre of the sabha, thus indicating the development activities had been affected.

3.2 Asset Management

Report on Action on Annual stores verification had to be submitted in terms of financial regulation No.757, had not made available for audit for the year under review.

3.3 Abandoned Project

03 Nos. of Capital works estimated at Rs. 30,500,000 for the year under review, had been abandoned and the reason could not be ascertained in audit.

4. Accountability and Good Governance

4.1 Budgetary Control

Budget estimates had not been prepared to make it as effective mechanism. Thus a variance between budgeted expenditure and actual expenditure ranging from Rs. 47,470 to Rs.1,355,197 were observed.

4.2 Procurement Plan

Procurement plan and Procurement time schedule of the Sabha had not been prepared for the year under review and preceding years in terms of section 4.2 of the Procurement Guidelines of the year 2006.

4.3 Internal Audit

Action had not been taken either to establish an internal audit unit or to carry on the internal audit examinations on the activities of the Sabha effectively for the year under review.

4.4 Audit and Management Committee Meeting

Even though at least 04 Nos. of Audit and Management Committee meetings had to be conducted in terms of Department of Management Audit Circular No. DMA/2009(1) of 09 June 2009, only one meeting had 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) Budgetary Control
- (vii) Procurement Procedure