

**Manthai West Pradeshiya Sabha
Mannar District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman of the Sabha on 21 August 2018.

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 2017 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 Unreconciled Differences

The following matters were observed.

- (a) It was observed a difference of Rs. 7,593,497 between opening balance of the year under review and closing balance of the preceding year in respect of government revenue debtors and accumulated fund reserve which had been shown in the financial statements of the year under review.
- (b) Even though a sum of Rs. 3,953,504 had been shown as court fine receivable in the financial statements of the year under review, according to the revenue register, it had been shown as Rs. 4,709,421, thus a difference of Rs. 755,917 was observed.
- (c) Even though staff loan balance had been shown as Rs. 6,783,954 in the financial statements of the year under review, as per loan register, it had been shown as Rs. 6,782,130, thus a difference of Rs. 1,824 was observed.

1.3.2 Accounts Receivable and Payable

Accounts Receivable

No meaningful actions had been taken by the Sabha to recover arrears of government revenue totalling Rs. 1,872,004 for the year under review.

1.3.3 Non-compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
	Rs.	
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Rule 178(3)	-	A register including names of community based organizations and community centers which carry out contract works effectively had not been prepared
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	592,449	No meaningful actions had been taken by the Sabha in respect of lapsed deposits for more than two years.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 4,764,589 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 2,063,607.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rentals	8,623,000	-	8,077,925	460,743	7,022,000	-	8,921,915	502,320
(ii) License Fees	597,250	-	710,640	-	503,500	-	1,874,720	-
(iii) Other Revenue	10,801,139	-	11,429,909	15,042,020	11,179,849	-	15,651,868	16,738,006

2.2.2 License Fees

The following matters were observed.

- (a) No meaningful actions had been taken by the Sabha to recover license fees for construction in respect of 131 houses constructed and handed over by the Government and Non-Government Organizations. As such, revenue loss of Rs. 785,400 had been incurred to the Sabha.
- (b) Six thousand five hundred and sixty nine residence houses constructed under the purview of the Sabha for the period from the last 01 year to 06 years had not been examined by the revenue inspectors properly, thus the Sabha had failed to obtain revenue of examination fees totalling Rs. 14,080,200 receivable to the Sabha.

2.2.3 Court Fines and Stamp Fees

Court fines of Rs. 4,709,421 and stamp fees of Rs. 2,746,755 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Performance

The following matters were observed.

(a) Solid Waste Management

The activities of burning and burying had only made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, any meaningful actions had not been taken by the Sabha to implement solid waste management including the compost and recycling projects.

(b) Failure to achieve the Expected Output

The following matters were observed.

- (i) A sum of Rs. 50,000 had been allocated from the fund of the Sabha for training of the officers in the year under review. However, such training had not been provided.
- (ii) No meaningful actions had been taken by the Sabha to keep well-being of mother and children who has low income and malnutrition through improving their nutrition

(c) Abandoned Projects

The following matters were observed.

- (a) It had been planned to implement 11 capital and welfare schemes valued at Rs. 6.7 million by using the fund of the Sabha in the budget of the year under review. However, such schemes had been completely abandoned.
- (b) It had not been implemented 06 capital works valued at Rs. 3.95 million planned by the Sabha in the preceding year. However, no actions had also been taken to implement totally in the year under review.

3.2 Human Resources Management

It was observed that 09 vacancies of the cadre of the Sabha had not been filled, thus works to be implemented by them had been affected.

3.3 Identified Losses

No meaningful actions had been taken in respect of shortage of 591 liter diesel valued at Rs. 56,211 which was used by the Sabha to the becco loader in the year under review.

4. Accountability and Good Governance

4.1 Internal Audit

An internal audit unit had been established in order to carry out the activities of the Sabha efficiently through audit of its activities. However, activities in respect of examination of internal account carried out in the year under review had not been made available to audit.

4.2 Budgetary Control

There was an adverse variance of Rs. 2.2 million between the budgeted expenditure and actual expenditure in the year under review.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

Systems	Deficiencies
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(a) Revenue	No meaningful actions had been taken by the Sabha to assess the properties and recover assessment tax.
(b) Assets	Title deeds of land and buildings, roads, cemeteries and slaughter house etc. belonging to the Sabha had not been documented.
(c) Accounting	General ledger and main ledger had not been maintained in updated manner.