

Manmunai Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 19 April 2016 and the report of the Auditor General had been furnished to the Secretary of the Sabha on 01 September 2016.

1.2 Qualified Opinion

Except for the effects of the matters described in Paragraph 1.3 of this report, I am of opinion that the financial statements give a true and fair view of the financial position of the Manmunai 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 Deficiencies

The following accounting deficiencies were observed.

- (a) Provision had not been made in the accounts for the audit fee amounting to Rs. 16,000 payable for the year under review.
- (b) Assets to the value of Rs.165,500 destroyed due to war situation prevailed in 1990 had not been written off from the books of accounts as a result, the value of assets had been overstated in the financial statements by the same amount.
- (c) The book value of the fixed assets amounting to Rs. 97,350 sold during the year under review had not been written off from the books.

1.3.2 Accounts Receivable and Payable

The following observations were made.

- (a) Action had not been taken up to 20 May 2016 to recover a sum of Rs. 781,370 which had to be recovered from the consumers of electricity as at 31 December 1993.
- (b) A sum of Rs. 1,958,631 payable to the Ceylon Electricity Board as at 31 December 1987 is continued to be shown in the financial statements without action being taken to settle the amount till the year under review.

1.3.3 Lack of Documentary Evidence

Although a sum of Rs. 1,500,000 had been shown in the accounts as fixed deposit, deposit certificates had not been rendered to confirm it.

1.3.4 Non-compliance with Laws, Rules and Regulations.

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

Reference to Laws, Rules, Regulations etc;	Non-compliance
Pradeshiya Sabha (Financial and Administrative) Rules of 1988	
(i) Rules 5(12) of Chapter I	Although cash, stores and signing of cheques had been administratively entrusted to two officers, securities had not been obtained from them.
(ii) Rules 193 of Chapter X	A statement compressing the reasons for the variance after comparing the actual revenue and expenses with the budget for the year under review had not been prepared and rendered to audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs.13,456,670 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 4,371,982 for the previous year thus, indicating an improvement of Rs. 9,084,688 in the financial results.

3. Performance Review

3.1 Management Inefficiency

The following observations were made.

- (a) Action had not been taken to remit a sum of Rs.581,627 to the Department of Pensions which contained the pension contribution recovered from nine employees of the Sabah for the year under review and the contribution of the Sabah to this pension.
- (b) Action had not been taken to transfer the ownership of 05 motor vehicles to the Sabah till 20 May 2016 which were handed over by other Ministries and Departments during the year 2008.

3.2 Idle Assets

Physical exercise machines to the value of Rs.500,000 donated by USAID for Youth Empowerment Programme during the year 2012 had remained idle at the Office till 20 May 2016 without being utilized for intended purpose.

4. Systems and Controls

Special attention is required in respect of the following items of systems and controls.

- (a) Accounting
- (b) Revenue Management