

Manmunai South and Eruvilpattu Pradeshiya Sabha

Batticaloa district

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2016 had been submitted to Audit on 23 May 2017 while the Financial Statements relating to the preceding year had been submitted on 29 June 2016. Report of the Auditor General relating to the year 2016 had been furnished to the Secretary of the Sabah on 12 October 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 Manmunai South and Eruvilpattu 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 Deficiencies

Following accounting deficiencies were observed.

- (a) Although Lease Rent receivable as at 31 December 2016 according to the Lease Rent Register had amounted to Rs. 3,102,927, this receivable had been shown in the financial statements as Rs. 1,735,767. Accordingly, the Lease Rent receivable had been understated by Rs. 1,367,160.
- (b) Although Market Rent receivable as at 31 December 2016 according to the Market Rent Register had amounted to Rs. 1,096,325, this receivable had been shown in the financial statements as Rs. 955,850. Accordingly, the Market Rent receivable had been understated by Rs. 140,475.

1.3.2. Lack of Documentary Evidence

Evidence indicated against the following each item of accounts had not been furnished to audit.

<u>Item</u>	<u>Value</u> Rs.	<u>Lack of Evidence</u>
Lands and Buildings	113,084,827	Title Deed
Plant and Machineries	1,809,578	
Motor Vehicles and Carts	11,886,590	Register of Fixed Assets

1.3.3 Non -compliance with Laws, Rules, Regulations and Management Decisions.

A separate register had not been maintained by the Sabah to record the computers, computer accessories and software according to Treasury circular No. IAI/2002/02 dated 28 November 2002.

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 2016 had amounted to Rs. 15,595,655 as compared with the corresponding the excess of Revenue over Recurrent Expenditure for the previous year amounted to Rs. 30,429,948.

2.2 Working Capital Manage

According to the Cash Book maintained by the Sabah, the cash balance in the end of each month during the year under review ranged from Rs. 22.17 Million to 32.84 Million. As action had not been taken to deposit the money in interest earning fixed deposits or call deposits, the Sabah is losing approximately Rs. 2.75 Million of interest income annually.

2.2 Revenue Management

Action had not been taken to recover the Market Rent amounting to Rs. 955,850, Lease amounting to Rs. 1,735,767, Tax amounting to Rs. 673,800 and License Fees amounting to Rs. 19,310 that had remained outstanding as at 31 December 2016.

3. Operating Review

3.1 Management Inefficiency

Following observations were made.

- (a) Action had not been taken to take over an out board motor that had been hired by a Pradeshiya Sabah Member from the Sabah during the year 2009.

- (b) Action had not been taken to obtain the ownership of a Motor Grader to the Sabah that had been donated by the UNDP during the year 2006.

4. Accountability and Good Governance

4.1 Unresolved Audit Paragraphs

Reference is given below regarding the unresolved audit paragraphs containing the irregularities and deficiencies indicated in the Auditor General's Reports relating to the Sabah.

Reference to the Report		Item included
Year	No. of Paragraph	
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2015	2.2.2	Action not taken to recover the dues receivable from the electricity consumers over the last 29 years .
2015	2.2.4	Security had not been obtained from the employees who had to pay security.

5. Systems and Controls

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

Controls	Items that need special attention
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(a) Revenue Management	Taking action to recover the revenue in arrears.
(b) Control of Fixed Assets	i. Maintenance of Fixed Assets Register.
	ii. Taking action to utilize the idle assets.