

Manmunai South West 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 30 March 2017 while the Financial Statements relating to the preceding year had been submitted on 31 March 2016. Report of the Auditor General relating to the year 2016 had been furnished to the Secretary of the Sabah on 30 August 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 West 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

Although Staff Loan receivable as at 31 December 2016 according to the Staff Loan Register had amounted to Rs. 3,277,894, this receivable had been shown in the financial statements as Rs. 3,618,969. Accordingly, the Staff Loan balance had been understated by Rs. 341,075 in the Balance Sheet

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	161,153,332	Title Deed
Plant and Machineries	2,855,423	
Motor Vehicles and Carts	11,750,000	Register of Fixed Assets
Furniture and Fittings	5,727,447	
Stores	102,009	Stores Ledger

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. 6,604,178 as compared with the corresponding the excess of Revenue over Recurrent Expenditure for the previous year amounted to Rs. 5,685,067.

3. Operating Review

3.1 Management Inefficiency

Following observations were made.

- (a) Concreting the roads and construction of drainages that had to be carried out from the fund allocation of Ministry of Provincial Councils and Local Government and to be completed before 31 December 2016 had not been commenced even as at 30 June 2017. However, fund amounting to Rs. 1,098,040 had been obtained from the Ministry on 31 December 2016, certifying by the Technical Officer that the work had been satisfactorily completed.
- (b) A sum of Rs.4,000,000 had been paid to the National Water Supply and Drainage Board on 27 December 2016 to fix pipelines to supply drinking water to four villages. However, the work had not been commenced till todate.

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	2.2.6 (I)	Security had not been obtained from the employees who had to pay security.
2015	4.1	Action not taken to recover the Loan balances amounting to Rs. 189,947 receivable from the employees who had retired or had been dead.

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) Accounting	Deposit Ledger should be updated.
(b) Revenue Management	Action to be taken to recover the revenue in arrears.