

Manmunai Pradeshiya Sabha -2017
Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted to Audit on 29 March 2018 and the report of the Auditor General had been furnished to the Chairman on 13 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects 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 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 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Debit and credit entries were made respectively in the year under review indicating that computers had been purchased for Rs. 191,400. Nevertheless, no computers had been purchased by the Sabha.
- (b) The rental income received Rs.59,280 and Rs.1,040,255 respectively by renting the JCB vehicle for the years 2015 and 2016 had been shown in deposit account instead of income and expenditure account continuously even by the year under review.
- (c) The cost of Rs.3,174,931 of constructing the gravel road and concrete roads had been shown in balance sheet under fixed assets instead of showing under income and expenditure account as material cost.
- (d) A cheque for Rs.2,400,000 for acquisition of a land for cemetery had not been given to the Divisional Secretary and as well as the ownership of the land remains unchanged the amount of the property had been shown as an asset in the financial statement.
- (e) During the year under review furniture worth of Rs.550,672 had been purchased under 'NELSIP' programme. This had been shown under the Library Building Account instead of the Furniture Account.

1.3.2 Receivables and Payables

The electricity charges due from electricity consumers and the electricity bills payable to the Ceylon Electricity Board for the period of five years from 1987 to 1998 were Rs.781,370 and Rs.1,958,631 respectively being shown in the Financial Statements continuously without taken actions to recover the dues receivable and to settle the dues payable.

1.3.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with laws, rules, and regulations during the audit were observed below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) 1988 Pradeshiya Sabha (Financial and Administration) Rules	
(i) Section X of Chapter 193	Actual annual Income and Expenditure details for the year, compared to the Budget and explanation of contradiction statement had not been prepared and furnished to Audit.
(ii) Section X of Chapter 197	Consumer goods register had not been checked and signed at the end of each month by the Secretary.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 1645 and 1646	The Daily Running Charts with the Monthly Performance Summaries of the Sabha's vehicles must be submitted to the Auditor General on 15 th of the following month, but the daily running Charts with the Monthly Performance Summaries of Sabha's vehicles had not been submitted to the Auditor General.

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 2017 had amounted to Rs.10,346,935. Compared to this, the excess of Revenue over Recurrent Expenditure for the previous year amounted to Rs. 6,923,090 thus indicating an increase of Rs.3,423,845 in the financial results.

2.2 Revenue Management

2.2.1 Arrears of Revenue

No action had been taken by the Sabha to recover the outstanding vehicle rent Rs.990,095 in the previous year.

3. Performance Review

3.1 Performance

Sustainable Development Goals

According to resolutions at the 2015 Sustainable Development conference chaired by the Head of States of United Nations, no action had been taken to develop measurable indicators for the development Agenda to be achieved by the Sabha by 2030.

3.2 Management Inefficiencies

Following deficiencies are observed.

- (a) During the visit of the political leaders to Batticoloa on 20 April 2017, Rs.239,950 had been spent by Sabha to construct a welcome post across the road at Arayampathi. But, due to political reason the welcome post was not fitted until 05 June 2018, and the parts of it were placed in the office premises and cultural hall.
- (b) Rs.314,520 had been spent on repairing the toilet block of the Badminton Indoor Stadium of the Sabha. As well as, no assessment had been prepared and the levels of completion of the work had not been calculated.

3.3 Human Resource Management

Six libraries were found within the authoritative area of the Sabha. Even though only one approved cadre for the position of librarian was existed no steps had been taken until the end of the year to increase the manpower.

3.4 Operational Inefficiencies

Rs.85,322 was spent by the Sabha fund for election work and related expenses at the election held in 2015, but the Sabha had not taken action to reimburse these payments from the Elections Department for the said period.

4. Systems and Controls

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

Controls

Areas that need special attention

- | Controls | Areas that need special attention |
|------------------------|---|
| ----- | ----- |
| (a) Accounting | Should be maintained the ledger accounts in an updated and proper manner. |
| (b) Revenue Management | Should be identified of revenue sources and to be taken necessary action to collect the same. |
| (c) Payments | Payments should be made with appropriate confirmations when making the payments for constructions work. |