

Manmunai South Eruvilpattu 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 29 June 2016 and the report of the Auditor General had been furnished to the Secretary of the Sabha on 29 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 South and Eruvilpattu 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) A sum of Rs. 14,073 paid for the license and insurance of vehicles had been accounted for as capital expenditure.
- (c) The value of two trailers received as donation from UNOPS during the year 2014 had not been ascertained and brought to accounts.

1.3.2 Accounts Receivable

Although a sum of Rs. 167,580 had been continuously shown in the financial statements as receivable from the Ceylon Electricity Board from the year 1989, action had not been taken either to recover or write off this amount.

1.3.3 Lack of Evidence for Audit

A Register of Fixed Assets had not been maintained in respect of land and buildings, plants and machineries to the value totaling Rs. 103,312,993.

1.3.4 Non -compliance with Laws, Rules, Management Decisions etc;

Instances of non-compliance with Laws, Rules and Regulations are given below.

Reference to Laws, Rules, Regulations etc;	Non-compliance
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(a) Pradeshiya Sabah (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 four officers, Security had not been obtained from them.
(ii) Rules 193 of Chapter X	A Statement including 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.
(b) Financial Regulation 396 of the Democratic Socialist Republic of SriLanka	Action in terms of the Financial Regulations had not been taken relating to 11 cheques to the value of Rs.19,967 issued but not presented for payment over six months.

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.,30,429,948 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 6,714,577 for the previous year thus indicating an improvement of Rs. 23,715,371 in the financial results.

2.2 Revenue Management

2.2.1 Performance in Revenue Collection

The following matters were observed.

- (a) The sabha was unable to collect charges for 12 telecommunication towers erected within the area of authority of the Sabha by private telecommunication organizations due to the failure to enact by-laws under Section 126 of the Pradeshiya Sabha Act No. 15 of 1987 to collect revenue and as such the sabha had lost revenue approximately Rs. 600,000 annually.
- (b) Action had not been taken to recover the rental arrears amounting to Rs. 92,676 for the period from the year 1991 to the year 2003 receivable from 19 tenants of trade stall of the Public market Complex, Kaluwanchikudy or write off from the books of accounts.

3. Performance Review

3.1 Management Inefficiency

The following observations were made.

- (a) Action had not been taken to transfer the ownership of 04 motor vehicles to the Sabha which were handed over by other Ministries and Departments.
- (b) Although approval had been granted by the General Treasury on 01 January 2013 to appoint a Medical Officer and a Pharmacist to the Ayurvedic hospital of the Sabha, action had not been taken up to date to appoint a Medical Officer and provide service to the people.
- (c) Although general utility items and electrical items to the value totalling Rs. 48,216 out of the stock had become obsolete since 1989, action had not been taken to write them off from the books of accounts.
- (d) Action had not been taken to recover the arrears of lease amounting to Rs. 3,110,486 in respect of 08 markets of the Sabha relating to the years 1985 to 2012.

4. Systems and Controls

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

- (a) Accounting
- (b) Revenue Management
- (c) Control of Fixed Assets
- (d) Staff Loan recovery