

**Manmunai South West Pradeshiya Sabha -2015**

---

**Batticaloa District**

---

**1. Financial Statements**

---

**1.1 Presentation of Financial Statements**

---

The financial statements for the year 2015 had been presented to audit on 31 March 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 South West 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) The value of thirteen vehicles and eleven machineries belonging to the Sabha had not been ascertained and brought to accounts.
- (b) Interest on Fixed deposit and court fines amounting to Rs. 84,500 and Rs. 206,500 respectively remitted directly to the Bank Account during the year under review had not been brought to accounts.
- (c) A sum of Rs. 40,000 obtained as hire charges for Motor Grader and JCB Machine had been kept in the Deposit Account instead of being accounted for as revenue.

**1.3.2 Unreconciled Control Accounts**

---

The following matters were observed.

- (a) Although the Staff Loan balances as at 31 December 2015 according to the ledger had been Rs. 2,802,793, the balance according to the Staff Loan Register had been Rs. 2,959,300 thus a difference of Rs. 156,507 had been shown.
- (b) Although the Advance Account balances as at 31 December 2015 according to the ledger had been Rs. 1,461,405 the aggregate balances of individual Advance had been Rs. 26,058 thus a difference of Rs. 1,435,347 had been shown.

### 1.3.3 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>	<u>Lack of Evidence</u>
	Rs.	
Lands and Buildings	840,349,208	Title Deed
Plant and Machineries	2,256,663	] Register of Fixed Assets
Motor vehicles and carts	11,750,000	
Furniture and Fittings	5,143,072	] Stores Ledger
Stock in Stores	102,009	

### 1.3.4 Non-compliance with Laws, Rules ,Regulations and management decisions

-----

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

#### **Reference to Laws, Rules, Regulations etc;**

-----

#### **Non-compliance**

-----

Pradeshya 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 three 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.

## 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 had amounted to Rs. 5,685,067 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 8,426,849 for the previous year thus indicating a deterioration of Rs. 2,741,782 in the financial results.

## 3. Performance Review

-----

### 3.1 Management Inefficiency

-----

Although the staff loan balances amounting to Rs. 189,947 receivable from two employees who had left from the service /a deceased had been outstanding for four years, action had not been taken up to 29 April 2016 to recover the loan from their sureties or from their retirement gratuity.

### **3.2 Human Resource Management**

-----

Although 14 vehicles were in utilization of the Sabha, only 03 drivers had been employed.

### **4. Systems and Controls**

-----

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

- (a) Accounting
- (b) Revenue Management