

Musali Pradeshiya Sabha

Mannar District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 11 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 05 June 2014.

1.2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Musali Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The deficiencies observed in the Financial Statements are shown in the following table.

Effects for the financial Statements	Assets		Expenditure	
	No. of Instances	Value Rs.	No. of Instances	Value Rs.
Overstatements	02	3,792,296	01	427,392

1.3.2 Lack of Evidence for Audit

The balances of 03 Items of accounts totalling Rs.6,556,838 could not be satisfactorily vouched in audit due to non- rendition of necessary information for audit.

1.3.3 Non-compliances

The following non-compliances with Laws, Rules and Regulations were observed.

- (a.) Officers who are entrusted with the custody of money and stores had not furnished security in terms of the Rule No.180 in Chapter IX of the Pradeshiya Sabha financial and Administrative Rules of 1988.

(b.) Applications had not been made at end of each quarter to get stamp fees and court fines in terms of Rule No.81 in Chapter III of the Pradeshiya Sabha Financial and Administrative Rules of 1988.

(c.) A Journal had not been maintained for making entries in the Main Ledger in terms of Rule No.166 in Chapter VII of the Pradeshiya Sabha Financial and Administrative Rules of 1988.

1.3.4 Accounts Receivable

Action had not been taken to settle the advances amounting to Rs.533,031 outstanding over a long period from year 1988 to 2011.

1.3.5 Unsettled Advances

While an advance of Rs.100,000 paid to an officer for carrying out repairs to a vehicle had not been settled, it had not been recorded in the books of accounts as well.

1.3.6 Lapsed Deposits

(a.) It was observed that only the Revenue Deposits had been recorded in the Register of Deposits excluding all other deposits.

(b.) Action had not been taken to settle time lapsed deposits amounting to Rs.23,000, in terms of Financial Regulations 571(2).

1.3.7 Recoverable Staff Loans

Action had not been taken to recover arrears of staff loan balances totalling Rs.45,794.

1.3.8 Non Maintenance of Books and Ledgers

(a.) Main Ledger had not been properly maintained.

(b.) While the cost of a vehicle according to the trial balance was Rs.43,975,000 value of that according to the Ledger had been Rs.32,856,568.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented the excess of recurrent expenditure over revenue of the Sabah for the year ended 31 December 2012 amounted to Rs.13,190,818 as against excess of revenue over recurrent expenditure amounted to Rs.1,916,760 for the preceding year.

2.2 **Financial Management**

The Budget had not been prepared on a realistic basis as there were material variances between the budgeted figures and the actuals.

2.3 **Revenue Administration**

2.3.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

According to information furnished by the Sabha the estimated revenue, actual revenue and the arrears of revenue for the year under review are given below.

	Item of revenue	Estimated	Actual	Arrears of Revenue as at 31 December
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		Rs.	Rs.	Rs.
(i.)	Lease Rent	2,000,000	1,562,670	-
(ii.)	Licence Fees	310,000	940,550	-
(iii.)	Other Revenue	10,717,000	8,653,474	171,344

2.4 **Assets Management**

Idle and Underutilized Physical Resources

Following assets belong to the Pradeshiya Sabha remained idle.

No.	Vehicle number	Type of vehicle	Period
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(i.)	RB 9077	Tractor	02 years
(ii.)	3191	Combine Harvester	02 years
(iii.)	-	Concrete mixture	02 years

2.5 Transactions of Contentious Nature

While a tractor had been purchased for a sum of Rs.850,000 from a certain Company, relevant payment had been made to a private individual.

2.6 Internal Audit

An adequate internal audit had not been carried out with regard to the activities of the Sabha.

3. Systems and Controls

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

- (a.) Revenue Collection
- (b.) Fixed Assets
- (c.) Accounting
- (d.) Human Resources Management.
- (e.) Donations
- (f.) Vehicle Utilization
- (g.) Miscellaneous Deposits
- (h.) Budget