

Nanaddan 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 11 March 2013 and the financial statements for the preceding year had been presented on 05 May 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

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Nanaddan Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Nanaddan Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

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

Effect on the Financial Statements	Assets		Revenue		Expenditure	
	No. of Instances	Value Rs.	No. of Instances	Value Rs.	No. of Instances	Value Rs.
Understatements	01	6,340	02	1,981,032		
Overstatements					01	23,058

1.3.2 Lack of Evidence for Audit

The balances of 03 Items of accounts totalling at Rs.4,536,563 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 Rule 180 in Chapter ix of the Pradeshiya Sabha Financial and Administrative Rules of 1988.
- (b.) Applications had not been made by the end of each quarter for the refund of stamp fees on land transactions and court fines in terms of Rule 81 in Chapter III of the Pradeshiya Sabha Financial and Administrative Rules of 1988.
- (c.) Action had not been taken to settle advances amounting to Rs.199,979 in terms of Rule 140 in Chapter V of the Financial and Administrative Rules of 1988.
- (d.) A Journal had not been maintained for posting entries in the Main Ledger in terms of Rule 166 in Chapter VII of the Pradeshiya Sabha Financial and Administrative Rules of 1988.
- (e.) Fuel Consumption testing had not been done with regard to 07 vehicles belong to the Sabha according to the Circular No.41/90 dated 10 October 1990 of the Ministry of Public Administration.
- (f.) A registrar of computer and spare parts had not been maintained according to the letter No.IAI/2002/02 dated 28 November 2012 of the Treasury.

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.8,340,546 as against the excess of revenue over recurrent expenditure amounted to Rs.1,298,369 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.

	<u>Item of revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears</u>
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		Rs.	Rs.	Rs.
(i.)	Rates and Taxes	360,000	168,050	-
(ii.)	Lease Rent	2,825,830	1,807,188	574,520
(iii.)	Licence Fees	414,000	298,590	-
(iv.)	Other Revenue	11,396,340	12,302,380	103,075

2.3.2 Stamp Fees

Action had not been taken to recover the Stamp Fees amounting to Rs.5,276,396 due from the Registrar General. However, the schedules for settlement of stamp fees had been received from the Registrar General.

2.3.3 Court Fines

Court Fines imposed under various Ordinances during the period from October to December year 2012 amounting to Rs.359,000 had not been recovered from the Magistrate Court. These outstanding Court Fines had not been brought to account.

2.3.4 Recovery of Staff Loans

Action had not been taken to recover Staff Loan balances outstanding over a long period amounting to Rs.3,800.

2.4 Non-settlement of Creditors

The opening balance of Sundry Creditors amounting to Rs.109,146 at the beginning of the year under review remained unsettled even as at the end of the year.

2.5 Contract Administration

The construction of the Water Tank commenced on 11 January 2013 out of funds made available by UNICEF had been completed on 11 May 2013 at a cost of Rs.2,674,185. However, it had not been commissioned for the benefit of the General Public up to 27 March 2014.

2.6 Internal Audit

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

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.) Vehicle Utilization
- (e.) Budget
- (f.) Donation
- (g.) Miscellaneous Deposits