

Mannar Pradeshiya Sabha

Mannar District

1.0 Financial Statements

1.1 Presentation of Financial Statements

The financial statements of the year under review should have been presented for audit on or before 31 March 2011. However, they had been presented for audit on 12 April 2011 and the financial statements of the preceding year had been presented for audit on 26 April 2010.

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 Mannar Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.3 of this report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give true and fair view of the state of affairs of the Mannar Pradeshiya Sabha as at 31 December 2010 and the financial results of its operations and cash flow for the year then ended.

1.3 Comments on the Financial Statements

1.3.1 Accounting Deficiencies

The deficiencies shown in the accounts are shown in the following table.

	<u>Expenditure</u>		<u>Assets</u>		<u>Liabilities</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
	<u>of</u>		<u>of</u>		<u>of</u>	
	<u>Instances</u>		<u>Instances</u>		<u>Instances</u>	
		<u>Rs.</u>		<u>Rs.</u>		<u>Rs.</u>
Overstatements in the accounts	01	18,008	03	358,556	02	1,312,234

1.3.2 Lack of Evidence for Audit.

Non-submission of Information for Audit

Transactions valued at Rs 1,280,559 Could not be satisfactorily vouched in audit due to unavailability of information required for audit.

1.3.3 Non-compliances

Non-compliances with the provisions in the following Laws, Rules, Regulations and Management decisions were observed during the cause of audit.

<u>Reference to the Laws, Rules, Regulations and Management decisions</u>	<u>Non compliance</u>
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(i) Pradeshiva Sabha (Financial and Administration) Rules -1988

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| (a) Section 05 of chapter I | Security bonds had not been obtained from the officers related to handling the cash and stores items. |
| (b) Section 66 of chapter III | Action had not been taken to recover revenue arrears by the Secretary. |
| (c) Section 76 of chapter III | There were delays in recovery of rentals. |
| (d) Section 81 of chapter III | Action had not been taken to collect the stamp duty at the end of the each quarter. |
| (e) Section 140 of chapter V | Action had not been taken to recover advances amounting to Rs.295,489 |
| (f) Section 145 of chapter VI | Deposit ledger had not been reconciled with sub- ledger and main ledger. |

- (g) Section 166 of chapter VII A journal had not been maintained to record the entries to the main ledger.
- (h) Section 169 of chapter IV PS 40, PS 41 and PS 42 registers had not been maintained by the responsible officer related to works.
- (i) Section 178(7) of chapter VIII News paper advertisement had not been published for works more than Rs.100,000 for bid procedures in 02 news papers.
- (ii) No.237(iv) of Northern Provincial Financial Regulation. Action had not been taken against the uncashed cheque amounting to Rs.8,000 which is more than 06 months.
- (iii) Public Finance Circular No.437. Four number of government owned vehicles had been insured for to Rs.5,694 in private insurance companies instead of Sri Lanka Insurance Corporation.
- (iv) **Pradeshiya Sabha Act No.15 of 1987.** All expenditure exceeding Rs.1,000 per year on religious and other common purposes should be incurred by obtaining the prior approval of the Minister in-charge of the subject. Nevertheless, a sum of Rs.37,285 had been paid for 15 instances on refreshment without obtaining such approval.

2.0 Financial Operating Review

2.1 Financial Results

According to the Financial Statements presented the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.1,327,877 as compared with the excess of revenue the recurrent expenditure for the preceding year amounted to Rs.306,127.

2.2 Revenue Administration

2.2.1 Estimate Revenue, Actual Revenue and Arrears of Revenue

The information on to the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year as presented by the Secretary is given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>
	<u>Rs, 000</u>	<u>Rs, 000</u>	<u>Arrears as at</u>	<u>Rs, 000</u>	<u>Rs, 000</u>	<u>Arrears as at</u>
			<u>31 December</u>			<u>31 December</u>
			<u>Rs, 000</u>	<u>Rs, 000</u>	<u>Rs, 000</u>	<u>Rs, 000</u>
(i) Rate and Taxes	143	123	1,603	78	86	1,581
(ii) Lease Rents	1,736	1,929	867	769	1061	867
(iii) Licence Fees	441	637	-	594	333	-
(iv) Other Revenue	16,753	19,194	-	684	369	-

2.2.2 Court Fines.

Action had not been taken to recover courts fines recoverable by the Sabha for the year 2010.

2.2.3 Stamp Fees.

Stamp fees receivable from the Register General as at 31 December 2010 had not been computed.

2.3 Expenditure Structure

The budgeted and actual expenditure of the Sabha for the year under review and the preceding year together with the variances are given below.

<u>Item of Expenditure</u>	<u>2010</u>			<u>2009</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>	<u>Rs.</u> <u>'000</u>
<u>Recurrent Expenditure</u>						
Personal	13,568	13,477	91	10,212	12,798	(2,586)
Emoluments						
Others	3,383	2,587	796	2,039	1,639	397
Sub-total	16,951	16,064	887	12,251	14,437	(2,189)
Capital Expenditure	2,116	4,028	(1,912)	3,678	438	3,240
Grand Total	19,067	20,092	(1,025)	15,929	14,875	1,051

2.4 Human Resources Management

Approved and Actual Cadre

Particulars of the approved and actual cadre of the Saba as at 31 December 2010 are given below.

<u>Category of Posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	02	01
Secondary Grade	13	14
Primary Grade	29	33
Others (Casual/Temporary)	-	-
Total	44	47

2.5 Assets Management

2.5.1 Accounts Receivable

Action had not been taken to recover revenue arrears amounting to Rs. 2,448,543. According to the comments of the chairman above arrears to be recovered from the displaced people at war period.

2.5.2 Staff Loans Recoverable

Action had not been taken to recover the staff loan arrears amounting to Rs. 173,940 more than two years related to officers who were dead, transferred or vacated post.

2.6 Activities Extraneous to Objectives

It was observed in audit that the following expenditure had been incurred on objectives extraneous to the functions devolved to the Sabha by law.

- i. A sum of Rs. 80,885 had been paid to preparing the model port for the SIMBOSIUM Exhibition conducted by Ministry of Local Government Northern Province. However this payment had been made contrary to the objective of Pradeshiya Sabha.
- ii. Pradeshiya Sabha had donated 06 ceiling fans valued at Rs. 69,300 to the Magistrate Court Mannar.
- iii. A sum of Rs. 3,040 had been spent for Oli vila function by the Pradeshiya Sabha contrary to the objective of the Sabha.
- iv. A sum of Rs. 10,939 had been spent as refreshment expenditure on library Books Issuing Ceremony by the Governor.

3 Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a) Accounting.
- (b) Budgetary Control.
- (c) Revenue Administration.
- (d) Assets Management.
- (e) Human Resources.
- (f) Vehicle Utilizations.