

Mannar Urban Council,

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 27 April 2012 and the financial statements for the preceding year had been presented on 07 April 2011. The report of the Auditor General for the year was issued to the Chairman of the Council on 11 May 2012.

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 Urban Council had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, 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 Mannar Urban Council as at 31 December 2011 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 accounting deficiencies observed in the financial statements are shown in the following table in respect of assets and liabilities.

<u>Effect on the Financial Statements</u>	<u>Assets</u>		<u>Liabilities</u>	
	<u>No of Instances</u>	<u>Value Rs.</u>	<u>No of Instances</u>	<u>Value Rs.</u>
Over statements	01	4,187,696	02	2,824,582
Omissions	01	190,500		

1.3.2 Lack of Evidence for Audit

Non-submission of Information to Audit

Transactions totaling Rs 195,597,511 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

1.3.3 Non-compliances

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

Reference to Laws, Rules Regulations and Management Decisions,

Non-compliance

(a) Urban Council Financial Rules of 1939

Chapter II Section 11

The approved budget had not been rendered to audit.

(b) Financial Regulations

FR – 700

Copies of the agreements had not been rendered to audit

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2011 amounted to Rs. 7,401,039 as against the excess of revenue over recurrent expenditure amounting to Rs. 11,253,107 for the preceding year.

2.2 Revenue Administration

2.2.1 Court Fines

Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs. 190,500

2.2.2 Revenue Debtors.

Action had not been taken to recover the arrears of assessment tax, rent, licence fees and other revenue amounting to Rs.8,977,171 recoverable as at 31 December 2011 in respect of the previous periods

2.3 Uneconomic Transactions.

The following observations are made

- a. A sum of Rs. 20,000 had been paid for a private vehicle used to travel to Colombo without obtaining the approval of the Commissioner of Local Government.
- b. A sum of Rs. 15,000 had been paid for preparation of banners for the Northern Provincial Council festival.

2.4 Performance.

The Sabha had not prepared an annual action plan at the beginning of the financial year. Therefore, the expected objectives and the progress thereon could not be ascertained.

3 Systems and Controls

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

- (a) Budgetary Control.
- (b) Accounting.
- (c) Revenue Collection.
- (d) Fixed Assets.
- (e) Miscellaneous Deposits.
- (f) Human Resources
- (g) Grants and Donations
- (h) Utilization of Vehicles

