

**Nanattan Pradeshiya Sabha.**

**Mannar District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review should have been presented for audit on or before 31 March 2011. However, they had been presented for audit on 26 April 2011 and the financial statements of the preceding year had been presented for audit on 22 June 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 Nanattan 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 Nanattan 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 Policies**

Accounting Policies adopted for the preparation of Financial Statements had not been disclosed with the Financial Statements.

**1.3.2 Accounting Deficiencies**

The following observations are made.

- (a) The expenditure incurred in respect of North East Local Services Improvement Project amounting to Rs.53,309 had been treated as an expenditure of the Sabha for the year under review, thus the expenditure had been overstated by that amount.
- (b) The expenditure aggregating Rs.76,036 relating to the previous years had been taken as an expenditure for the year under review instead of being adjusted in the sundry creditor accounts (accrued expenses). As a result the expenditure for the under review had been overstated by that amount.

### 1.3.3 Lack of Evidence for Audit

#### Non -Submission of Information for Audit

Transactions valued at Rs. 498,565 could not be satisfactorily vouched in audit due to unavailability of information required for audit.

### 1.3.4 Non-compliance

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

#### Reference to Laws, Rule, Regulations and Management Decisions

#### Non-compliance

- |  |   |
|--|---|
| <p>(a) <u>Pradeshiva Sabha Act No. 15 of 1987</u><br/>Section 132(a)</p>                                   | <p>Although the prior approval of the Minister in charge of the Subject, should be obtained for expenditure in respect of religious and common works incurred in excess of Rs. 1,000, a sum of Rs. 53,309 had been paid for refreshment without getting approval.</p> |
| <p>(b) <u>Pradeshiva Sabha (Financial and Administrative) Rules -1988</u><br/>Section 140 of Chapter V</p> | <p>Action had not been taken to recover advance amounting to Rs. 250,425</p>  |
| <p>(c) Public Finance Circular No. 437</p>   | <p>Two vehicles had been insured for Rs.1,200 in a private insurance company contrary to this circular.</p>   |
| <p>(d) <u>Government Establishment Code</u></p>  |   |
| <p>(i) Section 12:3 of Chapter VII</p>   | <p>Acting salary had been paid to the Secretary in contrary to this section.</p>  |
| <p>(ii) Section 10 of Chapter VIII</p>   | <p>Holiday pay had been paid to three Public Health Inspectors in contrary to this section. As a result a sum of Rs. 78,701 had been over paid.</p>   |

## 2. Financial and Operating Results

### 2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.3,641,353 against the excess recurrent expenditure over the revenue for the preceding year amounted to Rs.1,192,776

### 2.2 Revenue Administration

#### 2.2.1 Estimated 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.

Item of Revenue	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Accumulated arrears as at 31December	Estimated	Actual	Accumulated arrears as at 31December
-----	-----	-----	-----	-----	-----	-----
	Rs	Rs	Rs	Rs	Rs	Rs
	'000	'000	'000	'000	'000	'000
Rates and Taxes	200	38	-	30	118	-
Lease Rent	1,507	1,246	-	757	691	-
License Fees	346	241	-	1,115	1,186	-
Other Revenues	1,313	16,194	431	1,156	766	-

#### 2.2.2 Stamp Fees

Action had not been taken to compute and accounted for the Stamp Fees receivable by the Sabha.

### 2.3 Expenditure Structure

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

Item of Expenditure	<u>2010</u>			<u>2009</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
-----	-----	-----	-----	-----	-----	-----
	Rs	Rs	Rs	Rs	Rs	Rs
	'000	'000	'000	'000	'000	'000
<b>Recurrent Expenditure</b>						
Personal Emoluments	8,991	7,232	1,759	8,218	7,006	1,212
Other expenses	1,830	1,992	(162)	1,427	2,269	(840)
Sub Total	10,821	9,224	1,597	9,645	9,275	372
Capital Expenditure	1,005	5,254	(4,249)	615	4,760	(4,145)
<b>Grand Total</b>	<b>11,826</b>	<b>14,478</b>	<b>(2,652)</b>	<b>10,260</b>	<b>14,035</b>	<b>(3,773)</b>

### 2.4 Human Resource management

#### Approved and Actual Cadre

Particulars of the approved and the actual cadre of the Sabha 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	12	08
Primary Grade	19	17
Others (Casual/Temporary)	-	03
<b>Total</b>	<b>33</b>	<b>29</b>
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## **2.5 Assets Management**

### **2.5.1 Account Receivable**

Balances of accounts receivable as at 31 December 2010 amounted to Rs.2,416,095 and balances of accounts older than of 1 year totalled Rs.1,917,215

### **2.5.2 Staff Loans Recoverable**

The balances of staff loan recoverable as at 31 December 2010 totalled Rs.2,242,110 and the balances remaining outstanding for period exceeding 01 year totalled Rs.18,502

### **2.5.3 Non - moving current Assets**

Non – moving current assets remained over a period of 01 year as at 31 December 2010 are valued at Rs. 1,976,965.

### **2.5.4 Assets not Verified**

The value of assets not supported by physical verifications/ board of survey report and computed as book balance as at 31 December 2010 amounted to Rs.51,928,357.

### **2.5.5 Transaction non Supported by Adequate Authority**

The following observations are made.

- (a) A sum of Rs. 45,450 had been spent for purchase of Palmyrah products for exhibition by the Council fund.
- (b) A sum of Rs. 66,743 had been spent for the preparation of land research report under the Tourism Development Programme of the Northern Provincial Council.
- (c) A sum of Rs. 70,808 had been spent for Resettlement of displaced families by the Council fund.

- (d) A sum of Rs. 16,000 had been donated for the students who had passed the grade five scholarship examinations.

## **2.6 Performance**

The Sabha had not prepared an Annual Action Plan at the beginning of the year of accounts. Therefore, the expected objectives to be achieved and the progress there on could not be ascertained.

## **2.7 Internal Audit**

An adequate internal audit of the institution had not been carried out.

## **3. System and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Utilization of Vehicles
- (e) Assets Management