

Nanattan 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 31 March 2014 and the financial statements for the preceding year had been presented on 11 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 December 2014.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters referred to in paragraph 2.1 of this 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 Nanattan Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flow for the year then ended.

2. Comments on Financial Accounts

2.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The accounting policies adopted in preparation of financial statements had not been disclosed.
- (b) Ledger accounts had not been maintained for revenue and expenditure. Journal entries had not been furnished for audit.
- (c) Provision had not been made for expenditure debtors of the previous year. Two items of expenditure totalling Rs.33,087 for the year 2012 had been treated as expenditure of the year under review.

2.2 Lack of Evidence for Audit

The balance of fixed deposits amounting to Rs.10,500,000 as at 31 December 2013 could not be satisfactorily vouched or accepted in audit due to lack of a register of fixed deposits.

2.3 Non-compliance

The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations	Non-compliance
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(a) Pradeshiya Sabha (Finance and Administration) Rules-1988	

Rule No. 5 (xii)	Acceptance of adequate security deposits from officers dealing with cash, stores etc had not been confirmed by the Chairman.
Rule No. 218	Land and buildings had not been subjected to verification as at end of the year.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

Financial Regulation 571	Action had not been taken with regard to lapsed deposits of Rs.736,595 as at 31 December 2013.
(c) Public Finance Circular No.438 of 13 November 2009	Action had not been taken with regard to 82 items of stores shown as not usable in the board of survey report for the year 2013.
(d) Establishments Code	

Chapter xxiv	Loans amounting to Rs.11,248 due from officers transferred died/ retired/ vacated posts had not been recovered.
Section 4	
(e) Government Procurement Procedure	

Chapter III	Annual registration of suppliers had not been done.
Section 3:4:3	

2.4 Transactions without Authority

The amount allocated for entertainment expenses for the year 2013 was Rs.70,000. But, the Sabha had spent Rs.236,760 without authority in this regard.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year under review was Rs.3,695,832 as against the excess of recurrent expenditure over revenue amounting to Rs.2,668,012 for the preceding year.

3.2 Revenue Administration

3.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue actual revenue and the arrears of revenue for the year under review, as presented by the Chairman appear below.

Item of Revenue	Estimated	Actual	Cumulative arrears as at 31 December
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	Rs.	Rs.	Rs.
Rates and taxes	790,000	141,300	-
Lease rent	3,031,740	6,278,311	1,235,827
Licence Fees	495,000	414,670	-
Service charges	2,599,600	2,096,629	-
Warrant charges, fines and surcharges	35,000	72,545	63,000
Others	1,639,200	1,667,953	-
Total	8,590,540	10,671,408	1,298,827
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3.2.2 Court Fines

The court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 was Rs.63,000.

3.2.3 Revenue Recoverable

The arrears of rent from stalls and beef stalls and taxes amounted to Rs.542,452 as at 31 December 2013. Action had not been taken to recover this in terms of the Pradeshiya Sabha Act No.15 of 1987.

4. Operating Review

4.1 Management Inefficiencies

The following matters were observed.

- (a) Unidentified balances of advances amounting to Rs.1,771,480 continued to be shown in the accounts since 2011. Action had not been taken to rectify this.
- (b) Action had not been taken to acquire the Gully Bowser donated by the Urban Council, Mannar in 2011.

4.2 Irregular Transactions

The following irregular transactions were observed.

- (a) The Sabha had to suffer a loss of Rs.12,525 by accepting the highest quotation instead of the lowest quotation for electrical items purchased for the Cultural Hall.
- (b) Grass, flower plants etc., had been purchased for Rs.322,500 for the Cultural Hall. The cheque had been drawn in favour of the Technical Officer of the Sabha instead of the institution supplying the items.

4.3 Contract Administration

The total cost estimate of the Cultural Hall was Rs.34,274,176. According to Appendix 21 of Procurement Guidelines 3:1 and 3:2, the limits of the Regional Procurement Committee is Rs.25 million and as such the Regional Procurement Committee had decided to limit the amount to Rs.25 million. However, the balance amount had been spent from the funds of the Sabha.

Purchase of Fans

Fans installed were of lower quality than those mentioned in the purchase orders. The amount spent in excess, in this regard, was Rs.172,950.

4.4 Internal Audit

Adequate internal audit had not been carried out at the Institute.

5. Systems and Controls

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

- (i) Accounting
- (ii) Financial Control
- (iii) Revenue