

Manthai East Pradeshiya Sabha
Mullativu 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 it had been presented for audit on 11 May 2011 and the financial statements for the previous year had not been presented for audit until 31 March 2011.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanation given to me, I am of opinion that the Manthai East 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 a true and fair view of the State of affairs of the Manthai East Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.3 Comments on the Financial Statements

1.3.1 Accounting Policies

Accounting policies adopted had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The accounting deficiencies observed in respect of revenue and assets are shown in the following table under instances and values.

	<u>Revenue</u>		<u>Assets</u>	
	Number of <u>Instances</u>	<u>Value</u> Rs.	Number of <u>Instances</u>	<u>Value</u> Rs.
Understatements in the accounts	--	--	01	608,378

1.3.3 Unexplained Differences

A difference of Rs.522 had been observed between the Votes Ledger and the Income and Expenditure Account.

1.3.4. Accounts Payable

The value of balances of accounts payable for over 1 year as at 31 December 2010 amounted to Rs. 103,077

1.3.5. Non-compliances

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

Reference to Laws, Rules,

Non-compliance

Regulations and Management Decisions

- | | |
|---|--|
| <p>a. Financial Regulation 1645</p> | <p>Vehicle Log books had not been properly maintained by the Sabha.</p> |
| <p>b. <u>Circulars</u></p> <p>(i) Public Finance Circular
No.441 dated 9 December 2009.</p> | <p>Action had not been taken with regard to unserviceable articles reported in the year 2010 by the Board of Survey.</p> |

(ii) Public Administration Circular No.41/90 dated 10 October 1990 Fuel consumption tests had not been done for vehicles in terms of the Circular.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.720,984 as against the recurrent expenditure exceeding the revenue for the preceding year amounting to Rs.1,040,670.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information with regard to the estimated revenue, actual revenue and arrears of revenue for the year under review as presented by the Chairman is given below. The budget for the previous year had not been prepared by the Sabha to disturbances in the year 2009.

<u>Item of Revenue</u>	<u>Estimated</u>	2010	
		<u>Actual</u>	<u>Accumulated arrears as at 31 December</u>
	Rs. 000	Rs. 000	Rs. 000
Lease Rent	78	54	-
Licence Fees	225	229	-
Other Income	4,171	4,256	-

2.2.2 Courts Fines

Court fines for the year under review had not been confirmed by the Vavuniya District Magistrate’s Court and the Mullaitivu District Magistrate’s Court.

2.2.3. Stamp Fees

Stamp duty for the year under review had not been confirmed by the Land Registry of the Mullaitivu District.

2.2.4 Rates and Taxes

Action had not been taken to assess the properties in the Sabha area to impose tax on rate payers.

2.2.5 Rent and lease

- (a) Action had not been taken to collect rent in arrears amounting to Rs.17,000 from the owner of the trade stall at Pandiyankulam and Palinagar Markets.
- (b) Lease in arrears due from the Pandiyankulam Vegetable Market and the Palinagar meat stall amounted to Rs.17,454. Action had not been taken to collect the arrears.

2.3 Expenditure Structure

The budgeted and actual expenditure and the variances of the Sabha for the year under review are given below. The budget for the previous year had not been prepared by the Sabha due to disturbance in the year 2009.

<u>Item of Expenditure</u>	<u>2010</u>		
	<u>Budgeted</u> Rs. 000	<u>Actual</u> Rs. 000	<u>Variance</u> Rs. 000
<u>Recurrent Expenditure</u>			
Personal Emoluments	3,446	3,113	333
Others	727	706	21
	-----	-----	-----
Sub Total	4,173	3,819	354
Capital Expenditure	300	1,894	(1,594)
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Grand Total	4,473	5,713	(1,240)
	=====	=====	=====

2.4 Human Resources Management

2.4.1 Approved and Actual Cadre

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

Category of Post -----	Approved -----	Actual -----
Staff Grade	02	01
Secondary Grade	04	03
Primary Grade	10	06
	-----	-----
	<u>16</u>	<u>10</u>

2.5 Assets Management

2.5.1 Accounts Receivable

The balances of accounts receivable as at 31 December 2010 amounted to Rs.118,077 while the balances of accounts exceeding a period of 1 year amounted to Rs.83,913

2.5.2 Staff Loans Recoverable

Balances of staff loans recoverable as at 31 December 2010 aggregated Rs.490,285 while the balances of accounts over a period of one year amounted to Rs.5,496.

2.5.3 Unverified Assets

The value of assets computed on book balance as at 31 December 2010 which had not been supported by physical verifications/board of survey reports amounted to Rs.9,188,883

2.6 Identified Losses and Damages

Losses and damages revealed at audit test checks and according to the information maintained by Sabha were valued at Rs.1,554,365.

2.7 Operating Inefficiencies

The following observations are made

- a) Allocations had been made for certain work without considering the need of the expenditure. Therefore, they had not been utilized for the intended purposes.
- b) Occasions were observed where the actual expenditure had exceeded the budgeted expenditure during the year under review.

2.8 Internal Audit

Adequate internal audit had not been carried out in the institution.

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. Contract administration.