

Manthai West Pradehiya Sabha

Mannar District

1.0 Financial Statements

1.1 Presentation of Financial Statements

The financial statement of the year under review should have been presented for audit on or before 31st March 2011. However these had been presented for audit only on 21 April 2011 and, financial statements of the preceding year had been presented for the audit on 03 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 Manthai West 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 Manthai West 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 the Financial Statements had not been disclosed with the Financial Statements.

1.3.2 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>of</u> <u>Instances</u>	<u>Value</u> <u>Rs.</u>	<u>Number</u> <u>of</u> <u>Instances</u>	<u>Value</u> <u>Rs.</u>	<u>Number</u> <u>of</u> <u>Instances</u>	<u>Value</u> <u>Rs.</u>
Overstatements in the accounts Classification	-	-	02	2,895,328	01	15,184
Error	01	17,430	-	-	-	-

1.3.3 Bank Reconciliations.

- (a) Follow up action had not been taken in unrealized deposits over a period of 6 months amounting to Rs.1,205 after making inquiries from the Bank.
- (b) Proper action had not been taken in terms of Financial Regulation 396(d) in respect of 07 cheques valued at Rs.57,520 that had lapsed 6 months from the date of issue.

1.3.4 Accounts Payable.

Value of balances of accounts payable over 1 year as at 31 December 2010 amounted to Rs.54,490.

1.3.5 Lack of Evidence for Audit

Non- Submission of Information for Audit

Transactions valued at Rs.6,089,709 could not be satisfactorily vouched in audit due to non- availability of information required for audit.

1.3.6 Non-Compliances

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

Reference to the Laws, Rules, Regulations and Management decisions

Non Compliance

(a) Pradeshiya Sabha (Financial and Administration) Rules - 1988.

(i) Section 96 of chapter IV

Vouchers had been prepared in the format General 35 instead of PS 35.

(ii) Section 166 of chapter IV

A journal had not been maintained to record the entries to the main ledger.

(b) Public Finance Circular No.437.

Government vehicles should be insured in the Sri Lanka Insurance. But, the Pradeshiya Sabha had insured in a private insurance company contrary to Circular instructions

2.0 Financial and Operating Review

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.581,140 as compared with the excess of revenue over the recurrent expenditure for the preceding year amounted to Rs.60,521.

2.2 Revenue Administration

2.2.1 Estimate Revenue, Actual Revenue and Arrears of Revenue

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

<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	-	-	-	-	-	-
(ii) Lease Rent	728	1,546	199	445	182	199
(iii) Licence Fees	134	87	-	777	07	-
(iv) Other Revenue	1,892	1,795	-	989	42	-

2.2.2 Court Fines.

The amount receivable as court fines as at 31 December 2010 had not been computed.

2.2.3 Stamp Fees.

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

2.3 Expenditure Structure

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

<u>Item of Expenditure</u>	<u>Budgeted</u> <u>Rs.</u> <u>'000</u>	<u>2010</u> <u>Actual</u> <u>Rs.</u> <u>'000</u>	<u>Variance</u> <u>Rs.</u> <u>'000</u>	<u>Budgeted</u> <u>Rs.</u> <u>'000</u>	<u>2009</u> <u>Actual</u> <u>Rs.</u> <u>'000</u>	<u>Variance</u> <u>Rs.</u> <u>'000</u>
<u>Recurrent Expenditure</u>						
Personal	6,805	6,597	208	5,299	6,328	(1,029)
Emoluments						
Others	1,738	2,128	(390)	2,050	484	1,566
Sub Total	8,543	8,725	(182)	7,349	6,812	537
Capital Expenditure	1,106	2,467	(1,361)	925	8,658	(7,733)
Grand Total	9,649	11,192	(1,543)	8,274	15,470	(7,196)

2.4 Human Resources Management

Approved and Actual Cadre

Particulars of the approved and the 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 Grades	03	01
Secondary Grade	13	07
Primary Grade	14	14
Other (Casual/Temporary)	-	6
Total	30	28

2.5 Assets Management

2.5.1 Staff Loans Recoverable

Action had not been taken to recover the staff loan arrears amounting to Rs. 237,085 more than five years related to officers died transferred or vacated post.

2.6 Irregular Transactions

According to the Section 132 (a) of the No. 15 of the 1987 Pradeshiya Sabha Act refreshment expenditure for one occasion should be limited to Rs.1,000. But a sum of Rs.58,864 had been spent as refreshment expenditure.

2.7 Internal Audit

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

3 System 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.