

## **Manthai East Pradeshiya Sabha**

### **Mullaitivu District**

#### **1 Financial Statements**

##### **1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 26 April 2012 and the financial statements for the preceding year had been presented on 11 of May 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 14 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 Manthai East Pradeshiya Sabha 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 forwarded to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Manthai East Pradeshiya Sabha 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 Deficiencies in Presentation of Financial Statements**

The following matters were observed.

- (a) Explanations had not been furnished for the differences between the budget and the actuals in the financial statements.
- (b) Accounting policies adopted for the preparation of the financial statements had not been disclosed with the financial statements.
- (c) A description of the transaction had not been given in respect of 10 Journal Entries and also had not been signed by the Chairman and the Secretary.

### 1.3.2 Accounting Deficiencies

The accounting deficiencies observed in the financial statements are shown in the following table in respect of revenue and assets.

Effects on financial statements	Revenue		Assets	
	No.of instances	Value Rs	No.of instances	Value Rs
Understatements	-	-	01	32,940,349
Overstatements	01	372,585	-	-

### 1.3.3 Lack of Evidence for Audit

Transactions totaling Rs 4,617,565 could not be satisfactorily vouched in audit due to the non submission of the required information to audit.

## 2 Financial and Operating Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs. 548,103 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 720,983 for the preceding year.

### 2.2 Financial Control

Development reserve amounting to Rs 17,646,438 had not been used for the intended purposes.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is given below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	.....	.....	.....	.....
		Rs 000'	Rs 000'	Rs 000'
(i)	Rate and Taxes	-	-	22.5
(ii)	Lease Rent	80	230.3	-
(iii)	Licence Fees	325	46.33	-
(iv)	Other Revenue	5082	4561.057	-

### 2.3.2 Court Fines

Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provisional Council and other authorities amounted to Rs.797,503.

## 2.4 Transactions not supported by Adequate Authority

Assets valued at Rs 1,279,263 had been written off without obtaining the approval for the write off.

## 2.5 Operating/Management Inefficiencies

The following observations are made.

- (a) Advance payments amounting to Rs.9,182 had not been settled even as at end of the year under review and this position was pointed out in my report for the preceding year too.
- (b) VAT deductions amounting to Rs.34,260 in year 2010 had not been remitted to the Department of Inland Revenue and it had been transferred to the miscellaneous deposits account.
- (c) Securities had not been obtained from the officers dealing with cash and stores.

### **3 Systems and Controls**

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

- (a) Revenue Collection
- (b) Fixed Assets
- (c) Accounting
- (d) Vehicle Utilization
- (e) Miscellaneous Deposits
- (f) Budgetary Control