

**Nanaddan 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 08 May 2012 and the financial statements for the preceding year had been presented on 26 April 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 11 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 Nanaddan 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 issued 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 Nanaddan Pradeshiya Sabha as at 31 December 2011 and the financial results of its operation and cash flows for the year then ended.

**1.3 Comments on 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 accounting deficiencies observed in the financial statements are shown in the following table in respect of liabilities and expenditure.

<b><u>Effect on the Financial Statements</u></b>	<b><u>Liabilities</u></b>		<b><u>Expenditure</u></b>	
	<b><u>No of Instances</u></b>	<b><u>Value Rs.</u></b>	<b><u>No of Instances</u></b>	<b><u>Value Rs.</u></b>
Overstatements	01	40,646	01	315,000
Erroneous classifications	-	-	01	5,300

**1.3.3 Unreconciled Control Accounts**

The balance of staff loans in arrears according to the control accounts amounted to Rs. 3,634,222 while the total of the balances of these accounts according to the subsidiary registers amounted to Rs. 3,614,671.

**1.3.4 Lack of Evidence for Audit  
Non-submission of Information to Audit**

Transactions totaling Rs.4, 431,653 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

**1.3.5 Non compliances**

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

**Reference to Laws, Rules Regulations and Management Decisions.**

**Non - compliance**

**Pradeshiya Sabha (Financial and Administration) Rules of 1988**

- |       |                            |   |
|-------|----------------------------|---|
| (i)   | Section -65 of Chapter III | Revenue clerk had not prepared a list of defaulters and submitted it to the Secretary.  |
| (ii)  | Section -66 of Chapter III | Action had not been taken to recover arrears amounting to Rs.526,905 by the Secretary   |
| (iii) | Section 140 of Chapter V   | Action had not been taken to recover advances amounting to Rs 250,425 by the Secretary. |

**2. Financial and Operation 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. 5,338,743 as against the excess of recurrent expenditure over revenue amounting to Rs 3,641,523 for the preceding year.

**2.2 Revenue Administration****2.2.1 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 are given below

**2011**

<u>Item of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears as at 31 December</u>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
	<i>000</i>	<i>000</i>	<i>000</i>
Rates and Taxes	255	109	-
Lease Rent	1,710	6,861	-
Licence Fees	395	303	-
Other Revenue	9,466	9,822	527
Total	<b>11,826</b>	<b>17,095</b>	<b>527</b>

**2.2.2 Court Fines**

Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs. 64,250.

**2.3 Transactions not Supported by Adequate Authority**

The written prior approval from the Minister had not been obtained in terms of Section 132(a) of the Pradeshiya Sabha Act No. 15 of 1987 for payment of North East Local Services Improvement Project (NELSIP) expenditure amounting to Rs. 5,300 from the Sabha's fund. Details are given below.

<u>Details</u>	<u>Value</u>
	<u>Rs.</u>
Vehicle Hire Charges	4,500
Travelling Claims	800

**2.4 Contract Administration****Completely Abandoned Projects.**

04 Capital works totalling Rs.1,410,938 had been completely abandoned due to lack of funds in the Sabha.

## **2.5 Operating Inefficiencies**

The following observations are made.

- (a) Permit had not been obtained for slaughter house maintained by the Sabha in terms of National Environmental Act No. 47 of 1980 and the Gazette Notification No. 1159/22 dated 22 November 2000. Details of the number of cattle slaughters had not been registered as required in terms of Section 10 of Slaughter Ordinance.
- (b) Ayurvedic drugs valued at Rs. 90,387 had been purchased from a private institution which is not registered in the Department of Ayurveda.

## **2.6 Irregular Transactions**

The following observations are made.

- a. A sum of Rs. 133,569 had been paid to contractors as retention money without obtaining the technical officer's certificate.
- b. Withholding Tax amounting to Rs. 53,573 and Value Add Tax amounting to Rs. 247,547 collected by the Sabha since a number of years had not been remitted to the Department of Inland Revenue but had been included in the current year's revenue account.

## **2.7 Performance.**

The Sabha had not prepared an annual action plan at the beginning of the financial year. Therefore the expected objectives and the progress thereon could not be ascertained.

## **3. Systems and Controls**

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

- a) Revenue collection
- b) Fixed assets
- c) Accounting
- d) Grants
- e) Vehicle utilization
- f) Deposits
- g) Budget