

**Mannar 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 25 March 2013 and the financial statements for the preceding year had been presented on 20 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 27 January 2014.

**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 Mannar Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my 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 Mannar Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The deficiencies observed in the Financial Statements are shown in the following table.

Effect on the financial statement	Assets		Revenue		Expenditure		Liabilities	
	No. of Instances	Value Rs.	No. of Instances	Value Rs.	No. of Instances	Value Rs.	No. of Instances	Value Rs.
Understatements	03	1,812,203					01	2,413,962
Overstatements	01	598,490	02	12,384,430	01	98,713		

### **1.3.2 Lack of Evidence for Audit**

The balances of 03 Items of accounts totalling Rs.7,546,715 could not be satisfactorily vouched in audit due to non-rendition of necessary information for audit.

### **1.3.3 Non-compliances**

The following non-compliances with Laws, rules and regulations were observed.

- (a.) Officers who are entrusted with the custody of money and stores had not furnished security in terms of Rule 180 in Chapter IX of the Pradeshiya Sabha Financial and Administrative Rules of 1988.
- (b.) A survey had not been carried out with regard to obtaining Trade Licences in terms of Rule 59 in Chapter III of the Pradeshiya Sabha Financial and Administrative Rules of 1988.
- (c.) A List of defaulters in obtaining Trade Licence had not been prepared and handed over to the Secretary to the Sabha in terms Rule 65 in chapter III of the Pradeshiya Sabha Financial Administrative Rules of 1988.
- (d.) Applications had not been made at the end of each quarter for the refund of stamp fees on Land Transactions and court fines in terms Rule 81 in Chapter III of the Pradeshiya Sabha Financial and Administrative Rules of 1988.
- (e.) A Journal had not been maintained for posting entries in the Main Ledger in terms Rule No166 in Chapter VII of Pradeshiya Sabha Financial and Administrative Rules of 1988.
- (f.) Copies of Tender Board decisions had not been furnished to the Auditor General in terms of Government Financial Regulation 700(5).

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented the excess of recurrent expenditure over revenue of the Sabah for the year ended 31 December 2012 amounted to Rs.20,832,084 as against the excess of revenue over recurrent expenditure amounted to Rs.26,724,430 for the preceding year.

### **2.2 Financial Management**

The Budget had not been prepared on a realistic basis as there had been material variances between the budgeted figures and the actuals.

### **2.3 Revenue Administration**

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

According to information furnished by the Sabha the estimated revenue, actual revenue and the arrears of revenue for the year under review are given below.

	Item of revenue -----	Estimated ----- Rs.	Actual ----- Rs.	Arrears of revenue as at 31 December ----- Rs.
(i.)	Rates and Taxes	96,253	297,285	72,301
(ii.)	Lease Rent	3,074,648	3,272,882	918,833
(iii.)	Licence Fees	520,543	359,052	-
(iv.)	Other Revenue	17,859,312	26,388,731	11,710,350

#### **2.3.2 Stamp Fees**

Action had not been taken to recover the Stamp Fees amounting to Rs.17,765,314 due as at 31 December 2012 from the Registrar General.

### **2.3.3 Other Revenue**

- (a.) Action had not been taken to recover the assessment tax amounting to Rs.72,301 that had been outstanding since the year 2009.
- (b.) Adequate measures had not been taken during the year under review to recover the arrears of lease rent amounting to Rs.918,833 that had been outstanding for more than 02 years.

### **2.3.4 Performance**

Although a provision of Rs.91,774,000 had been allocated in the Budget for 22 Capital Projects, the progress relating to 08 projects had been as follows.

<b>No.</b>	<b>Project</b>	<b>Provision (Million)</b>	<b>Expenditure (Million)</b>	<b>Performance (Percentage)</b>
		Rs.	Rs.	%
1.	Rehabilitation of Erukampity Internal Road	7.177	3.18	50
2.	Rehabilitation of Peasala Internal Road	7.177	4.2	50
3.	Rehabilitation of Periyakaraisal Internal Road	7.177	5.64	50
4.	Construction of Thalvapadu Beef stall	4.717	1.2	50
5.	Rehabilitation of Uilankulam Slaughter House	3.427	1.2	50
6.	Construction of Uilankulam Play Ground	4.0	1.6	50
7.	Construction of Arukalampittu Cultural Center	5.202	0.8	50
8.	Construction of	5.551	1.0	50

Pudukudiruppu Internal  
Road

**2.3.5 Internal Audit**

An adequate internal audit had not been carried out with regard to the Sabha activities.

**3. Systems and Controls**

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

- (a.) Revenue Collection
- (b.) Fixed Assets
- (c.) Accounting
- (d.) Human Resources Management
- (e.) Donations
- (f.) Vehicle Utilization
- (g.) Miscellaneous Deposit
- (h.) Budget