

Musali Pradeshiya Sabha.

Mannar 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, they had been presented for audit on 09 May 2011 and the financial statements of the preceding year had been presented for audit on 02 July 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 Musali 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 Musali 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 Financial Statements had not been disclosed with the Financial Statements.

1.3.2 Accounting Deficiencies

Expenditure relating to the North East Local Services Improvement Project (NELSIP) amounting to Rs.107,066 had been treated as an expenditure of the Sabha for the year under review, thus the expenditure had been overstated by that amount.

1.3.3 Lack of Evidence for Audit

Non - Submission of Information for Audit

Transactions valued at Rs. 7,092,970 could not be satisfactorily vouched in audit due to the unavailability of information required for audit.

1.3.4 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, Rule, Regulations and Management Decisions

Non-compliance

- | | |
|---|---|
| <p>(a) <u>Pradeshiya Sabha Act No. 15 of 1987</u>
Section 132 (a)</p> | <p>Although prior approval of the Minister in charge of the subject should be obtained for expenditure of religious and common works in excess of Rs. 1,000 per year, a sum of Rs. 172,689 had been made for the refreshment without obtaining such approval.</p> |
| <p>(b) <u>Pradeshiya Sabha (Financial and Administration) Rules - 1988</u>
Section 140 of Chapter V</p> | <p>Action had not been taken to recover advance amounting to Rs. 270,554</p> |
| <p>(c) Public Finance Circular No. 437</p> | <p>Five vehicles insurance totalling Rs. 6,251 had been obtained from a private insurance company contrary to circular instruction.</p> |
| <p>(d) <u>Government Establishment Code</u>
Section 12:3 of Chapter VII</p> | <p>Acting salary had been paid to the Secretary contrary to the instruction in the Establishment Code. As a result a sum of Rs. 68,805 had been over paid.</p> |

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the excess of recurrent expenditure over the revenue of the Sabha for the year ended 31 December 2010 amounted to Rs.1,904,030 against the excess of revenue over the recurrent expenditure amounting to Rs.738,171 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated 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 year as presented by the Secretary is given below.

Item of Revenue -----	Estimated -----	<u>2010</u>		<u>2009</u>		
		Actual -----	Accumulated arrears as at 31December -----	Estimated -----	Actual -----	Accumulated arrears as at 31December -----
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Rates and Taxes	-	2	-	-	-	-
Lease Rent	60	228	-	-	02	-
License Fees	30	66	-	-	14	-
Other Revenue	6,047	9,010		378	416	-

2.2.2 Stamp Fees

Action had not been taken to compute and accounted for the Stamp Fees receivable by the Sabha.

2.3 Expenditure Structure

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

Item of Expenditure	<u>2010</u>			<u>2009</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<u>Recurrent Expenditure</u>						
Personal Emoluments	4,505	5,035	(530)	5,143	4,511	632
Other expenses	1,627	2,590	(963)	278	1,360	(1,082)
Sub Total	6,132	7,625	(1,493)	5,421	5,871	(450)
Capital Expenditure	200	2,025	(1,825)	-	794	(794)
Grand Total	6,332	9,650	(3,318)	5,421	6,665	(1,244)

2.4 Human Resource management

Approved and Actual Cadre

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

<u>Category of Posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	02	01
Secondary Grade	08	05
Primary Grade	15	11
Others (Casual/Temporary)	-	05
Total	25	22
	=====	=====

2.5 Assets Management

2.5.1 Accounts Receivable

Balances of account receivable as at 31 December 2010 amounted to Rs.697,424 and balances of accounts older than of 1 year totalled Rs.270,554

2.5.2 Staff Loans Recoverable

The balances of staff loans recoverable as at 31 December 2010 totalled Rs.1,361,661 and the balances remaining outstanding for period exceeding 01 year totalled Rs 115,128.

2.5.3 Assets not Verified

The value of assets not supported by physical verifications/board of survey report and computed as book balance as at 31 December 2010 amounted to Rs.18,069,371.

2.5.4 Transaction not Supported by Adequate Authority

The following expenditure had been made from the Fund of the Sabha without the adequate authority.

- (a) Purchase of fishing items for a sum of Rs.7,225 for an exhibition.
- (b) Payment made for disaster relief amounting to Rs.25,000.

2.6 Performance

The Sabha had not prepared an Annual Action Plan at the beginning of the year of accounts. Therefore, the expected objectives to be achieved and the progress thereon could not be ascertained.

2.7 Internal Audit

An adequate internal audit of the institution had not been carried out.

3. System and Controls

Special attention is drawn to the following areas of system and controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Utilization of Vehicles
- (e) Assets Management