

Alaiyativembu Pradeshiya Sabha

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Ampara District  
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1. Financial Statements

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1:1 Presentation of Financial Statements  
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The financial statements for the year under review had been presented to audit on 16 May 2011 and the financial statements for the preceding year had been presented on 21 August 2010. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 29 January 2012.

1:2 Opinion  
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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 Alaiyativembu 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 my report issued to the Chairman, 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 Alaiyativembu Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements  
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1:3:1 Accounting Policies  
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The following observations are made.

- (i) The financial statements had not been prepared on accrual basis.
- (ii) Provision had not been made for replacement of fixed assets.

1:3:2 Accounting Deficiencies

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The following accounting deficiencies were observed.

- (a) The stock of electrical equipment valued at Rs.140,704 had been based on book value instead of being verified.
- (b) Provision had not been made for audit fees in the financial statements in terms of Section 172(2) of the Pradeshiya Sabha Act, No. 15 of 1987.
- (c) The land and buildings of the Sabha had not been valued and brought to accounts.

1:3:3 Non-compliance

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The following non compliances with laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Pradeshiya Sabha (Finance and Administration) Rules 1988 -----	
Rule 180	Officers handling cash and stores had not furnished security.
Rule 217	The Sabha had not maintained a register of fixed assets in terms of P.S. 46.
Rule 218	Land and buildings had not been verified by a competent officer.

Rule 219 A separate register relating to land and buildings, detailed list and verification reports had not been prepared.

2. Financial and Operating Review  
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2:1 Financial Results  
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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.1,224,059 as compared with the excess of revenue over recurrent expenditure amounting to Rs.341,344 the preceding year.

2:2 Revenue Administration  
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2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue  
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The estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman, appears below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
i. Rates and Taxes	370	346	8
ii. Lease Rent	905	519	307
iii. Licence Fees	531	397	17
iv Other Revenue	2,123	278	1,318

2:2:2 Court Fines  
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Action had not been taken to recover the court fines amounting to Rs.1,208,350 recovered by the Magistrate's Court, Akkaraipatthu and remitted to the Provincial Commissioner of Revenue.

2:2:3 Stamp Fees  
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Action had not been taken to recover stamp fees amounting to Rs.1,664,000 from the Registrar General as at 31 December 2010.

2:3 Expenditure Structure  
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The budgeted and the actual expenditure of the Sabha for the year under review and the variances, appear below.

Item of Expenditure -----	Budgeted ----- Rs.'000	Actual ----- Rs.'000	Variance ----- Rs.'000
<u>Recurrent Expenditure</u>			
Personal Emoluments	8,410	7,359	1,051
Others	2,426	1,421	1,005
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Sub-total	10,836	8,780	2,056
Capital Expenditure	4,605	4,923	(318)
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Grand Total	15,441	13,703	1,738
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2:4 Human Resources Management  
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Approved and Actual Cadre  
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The approved and actual cadre of the Sabha as at 31 December 2010 appear below.

<u>Category of posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	01	--
Secondary Grade	06	07
Primary Grade	14	04
Others	--	08
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	<u>21</u>	<u>29</u>

2:5 Assets Management  
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2:5:1 Accounts Receivable  
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The accounts receivable as at 31 December 2010 was Rs.3,237,815. Of this, accounts receivable exceeding one year amounted to Rs.2,021,636.

2:5:2 Employees' Loans Recoverable  
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The employees' loans as at 31 December 2010 aggregated Rs.Rs.863,677. The arrears of accounts exceeding one year amounted to Rs.66,279.

2:6 Internal Audit  
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Adequate internal audit had not been carried out at the institution.

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

- (a) Accounting
- (b) Control Over Fixed Assets
- (b) Revenue Administration