

Athuraliya Pradeshiya Sabha

Matara District

01. Financial Statements

1:1 Presentation of Financial Statements

Financial statements for the year under review had been presented to audit on 22 July 2011 and the financial statements for the preceding year had been presented for the audit on 31 May 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 Athuraliya 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 a true and fair view of the state of affairs of the Athuraliya 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

1:3:1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Even though the Athuraliya Pradeshiya Sabha had been constituted by the Notification published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka, No 1421/26 of 01 December 2005, the distribution of the assets and liabilities between the Akuressa Pradeshiya Sabha and the Athuraliya Pradeshiya Sabha had not been settled even by 26 July 2011.

- (b) The value of 10 blocks of land had been included in the value of lands and buildings amounting to Rs.4,920,981 without a proper assessment. As such the value of lands and buildings had been understated.
- (c) A shortage of 34 books valued at Rs.5,028 was observed according to the Board of Survey Report for the year 2010 and that value had not been adjusted in the accounts.
- (d) According to the Accession Register, the value of library books amounted to Rs.513,383 whereas according to the financial statements the balance amounted to Rs.514,723. Thus the difference amounted to Rs.1,340.
- (e) The payments made on Standing Orders from the Bank Account No.117-01-001-2-7906583 and the charges thereon amounting to Rs.61,281 had not been brought to account as expenditure.

1:3:2 Unreconciled Control Accounts

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- (a) The balances of 02 items of account according to the relevant Control Accounts totalled Rs.1,878,826 whereas according to the subsidiary registers those balances totalled Rs.1,856,716 and the difference amounted to Rs.21,910.
 - (b) Differences amounting to Rs.222,048 between the arrears as at the end of the year under review according to the registers relating to the accounts of 04 items of revenue and the arrears according to PS 07 report were observed.

1:3:3 Accounts Payable

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- (a) Action had not been taken to settle the creditors balance amounting to Rs.68,554 existing since the year 2006.
 - (b) The value of balances of Accounts Payable older than one year as at 31 December 2010 totalled Rs.4,922,011.

1:3:4 Lack of Evidence for Audit

The balances of 04 items of account amounting to Rs.27,534,337 could not be satisfactorily vouched in audit due to the unavailability of confirmation of balances, age analysis, schedules, etc.

1:3:5 Non-compliances

Instances of non-compliances with, rules, regulations. etc. observed during the course of audit are given below.

Reference to Laws, Rules and Regulations, etc. -----	Non-compliance -----
(a) Pradeshiya Sabha (Finance and Administrative) Rules 1988 -----	
(i) Rule 148	Registers on P.S. 13, 15 and 19 Formats had not been prepared.
(ii) Rule 164	The accounting documents of the Sabha had not been checked daily by he Secretary or an officer authorized by him and confirmed such check by initialling the documents.
(iii) Rule 180 - 184	The officers assigned with the custody of cash, stores and assets of the Sabha had not furnished security.
(iv) Rules 193	A Statement of Excesses and Deficits prepared by reconciling the actual balances of the Objects with the budgeted and supplementary votes had not been presented to audit.
(v) Rules 217 and 218	Even though an annual survey of the lands and buildings of the Sabha should be conducted, it had not been so done in the year under review.

2. Financial and Operating Review

2:1 Financial Result

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.2,576,953 as against the excess of recurrent expenditure over revenue amounting to Rs.4,708,556 for the preceding year.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

According to the information on the estimated revenue, the actual revenue and the arrears of revenue relating to the year under review and the preceding year furnished by the Chairman, the position of arrears of revenue as at 31 December 2010 as compared with the preceding year is given below.

Particulars -----	Arrears of Revenue as at 31 December		Increase as a Percentage -----	Decrease as a Percentage -----
	2010 Rs.´	2009 Rs.´		
Rates	360,763	103,008	250.2	--
Acreage Tax	19,345	87,148	--	77.8
Licence Rent	42,563	393,738	--	89.19

2:2:2 Arrears of Taxes and Charges

Action had not been taken in terms of provisions in Sections 158 and 159 of the Pradeshiya Sabha Act, No. 15 of 1987 for the recovery of the taxes and charges amounting to Rs.310,108 recoverable in respect of the year under review and the preceding years.

2:2:3 Courts Fines

Courts fines amounting to Rs.149,200 recovered by a Magistrate's Courts under various Ordinances up to 31 December 2010 and remitted to the Chief Secretary remained receivable by the Sabha.

2:2:4 Stamp Fees

Stamp fees amounting to Rs.93,933 remained receivable as at 31 December 2010 from the Registrar General.

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 variance are given below.

Item of Expenditure	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent Expenditure</u>						
Personal Emoluments	7,716	7,835	(119)	7,584	6,928	656
Others	3,705	3,185	520	3,348	2,804	544
Sub-total	11,421	11,020	401	10,932	9,732	1,200
Capital Expenditure	10,374	23,287	(12,913)	10,100	17,555	(7,455)
Grand Total	21,795	34,307	(12,512)	21,032	27,287	(6,255)

2:4 Human Resources Management

2.4.1 Approved and Actual Cadre

Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

Grades of Employees	Approved	Actual
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Staff Grades	03	02
Secondary Grades	09	10
Primary Grades	15	11
Others (Casual/ Temporary)	--	09
Total	27	32
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- (i) Even though the expenditure on staff salaries and the Sabha Members' allowance according to the Revenue and Expenditure Account amounted to Rs.7,835,488, a sum of Rs.6,807,000 out that only had been reimbursed by the Commissioner of Local Government. Thus the difference of Rs.1,028,488 had become an additional expenditure to the Sabha.
- (ii) According to the Management Services Circulars No. 14 dated 03 January 2002 and No. 28 dated 10 April 2006 of the Secretary to the Treasury, the recruitment of employees by Local Authorities under the casual, temporary, substitute and contract bases had been suspended. Contrary to such stipulation 09 employees had been recruited and a sum of Rs.1,393,569 had been paid out of the Sabha Fund in the year under review as their salaries. If recruitment had been made surpassing the instructions of these circulars it had been emphasized that the Head of the institute is personally responsible in that connection.

2:5 Assets Management

2:5:1 Accounts Receivable

The value of balances of Accounts Receivable older than 01 year as at the end of the year under review amounted to Rs.90,475.

2:5:2 Staff Loans Recoverable

The balances of staff loans and advances recoverable as at 31 December 2010 totalled Rs.1,418,101.

2:6 Performance

The following observations are made.

- (i) A sum of Rs.498,750 had been paid in the year 2010 as the Members' allowance of the Sabha comprising 09 members. Out of that only 04 members had attended each of the 12 meetings held in the year.

- (ii) The capital expenditure in the budget for the year 2010 did not include a detailed report on the work to be executed in the year prepared by incorporating the proposals of each member.
- (iii) The budget for the year 2010 included a list of 55 works proposals for implementation. But their values had not been given. According to the budget, the targeted capital expenditure amounted to Rs.9,700,000, while the actual cost of 14 of those work proposals amounted to Rs.7,083,917 and 41 targeted work proposals had not been implemented.

2:7 Internal Audit

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

03. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Assets Management
- (d) Implementation of Projects