

Attanagalla Pradeshiya Sabha
Gampaha District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 30 March 2011 and the financial statements for the preceding year had been presented on 23 March 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 Attanagalla 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 Attanagalla 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

- (a) Reimbursement of interest on property loans relating to the period March to June 2010 amounting to Rs.91,658 had been brought to account as stamp revenue.
- (b) Even though stamp revenue received in two instances in the year under review had been brought to account, the stamp revenue received in the two subsequent instances had been brought to account after deducting the incentive allowance payable to the staff. As such the revenue from stamp fees and the expenditure under the Expenditure Head 1-1-01-(9) amounting to Rs.73,793 I had been understated by that amount.
- (c) The expenditure amounting to Rs.2,404,177 incurred in the preceding year for the acquisition of fixed assets and the expenditure amounting to

Rs.544,032 incurred on construction works in the year under review had not been capitalized.

- (d) The lands and buildings valued at Rs.5,467,822 not brought to account and referred to in paragraph 2.2.1(g) of the Report of the Auditor General for the preceding year, had not been brought to account even in the year under review. The difference of Rs.1,475,939 was observed between the Registers of Fixed Assets and the Schedules furnished with the accounts referred to in the paragraph 2.2.1(p).

1:3:2 Unrecoupled Control Accounts

The balances of 09 items of account according to the Control Accounts totalled Rs.69,375,546 whereas according to the Subsidiary registers/ records the balances of the accounts totalled Rs.59,172,601.

1:3:3 Accounts Payable

The balances of accounts payable older than one year as at 31 December 2010 amounted to Rs,11,085,599.

1:3:4 Lack of Evidence for Audit

Non-submission of Information

Transactions totalling Rs.18,454 could not be satisfactorily vouched in audit due to the non-submission of information.

1:3:5 Non-compliances with Laws, Rules, Regulation etc

Non-compliances with the provisions in the following laws, rules and regulations were observed during the course of audit.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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Prdeshiya Sabha (Financial and Administration) Rules 1988.

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| (i) Rules 59 and 60 | A survey of the industries in the area of |
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authority of the Sabha should be carried out in terms of Section 150(1) of the Pradeshiya Sabha Act, No. 15 of 1987 and a list containing the information referred to the Rule 60 should be prepared by the Revenue Overseer or the Revenue Inspector and submitted to the Secretary before 31 March of each year. But it had not been so done.

(ii) Rule 178(3)

An updated Register of Approved Societies had not been maintained.

(iii) Rule 217

Even though the particulars of all lands and buildings owned by the Sabha should be maintained in a register in Form PS 46, the particulars had been recorded in a register not conforming to that form.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs. 7,743,431 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.28,236,608 for the preceding year.

2:2 Financial Control

The following observations are made.

(a) Other Debits to Bank

The sum of Rs.11,790 debited by the Bank in September 2003 had been shown in the Bank Reconciliation Statement continuously without taking action to obtain information thereon and account for or settled the amount.

(b) A sum of Rs.4,928,817 had been remaining for about 05 months as at 31 December 2010 in the collection accounts of the Sub-offices at Egodapotha, Veyangoda, Bemmulla, Oyabodaperuwa and Megodapotha.

As the Bank does not pay an interest on the money in the collection accounts, such money should have been transferred to an account of the Sabha without delay. But it had not been so done.

- (c) Even though the cash collections should be deposited in full daily in the Bank, in terms of Rule 29 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988, the daily collections of the Oyabodaperuwa Sub-office had not been banked daily.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual and Arrears of Revenue

The information on the estimated, the actual revenue and the arrears of revenue for the year under review and the preceding year furnished by the Chairman is given below.

Item of Revenue	Estimated	2010		Cumulative Arrears as at 31 December	2009		Cumulative Arrears as at 31 December
		Rs.'000	Actual		Rs.'000	Actual	
(i) Rates and Taxes	39,846	15,205	24,586	36,575	10,769	25,806	
(ii) Lease Rents	3,548	2,944	684	3,224	1,985	1,064	
(iii) Licence Fees	1,613	1,285	328	1,437	1,014	423	
(iv) Other Revenue	4,591	3,,211	--	4,149	4,348	--	

It was observed that the above information does not agree with the figures appearing in the accounts.

2:3:2 Arrears of Rates

The particulars of arrears of rates, each exceeding Rs.10,000 and old between one year to 20 years as at 31 December 2010 are given below.

Sub-office	Number of Units of Rates	Arrears as at 31 December 2010
		Rs.

Egodapotha	09	892,719
Megodapotha	11	180,772
Oyabodaperuwa	04	241,074
Veyangoda	41	911,904

Even though 02 Ditraining Officers and 04 Revenue Officers are in service in the Sabha, the Secretary had not taken action in terms of Section 158(1) of the Pradeshiya Sabha Act, No. 15 of 1987 to utilize their services effectively to recover the arrears by distraining the properties.

2:3:3 Outstanding Other Revenue

The particulars of outstanding other revenue of the year under review and the three immediately preceding years are given below.

Year	Outstanding other Revenue
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	Rs.
2007	11,901,913
2008	13,212,830
2009	13,240,226
2010	13,432,819

Even though there were 04 Revenue Overseers for the collection of revenue, recovery of arrears of revenue had been weak.

2:3:4 Trade Stall Rents

- (i) The outstanding trade stall rents remaining over a long period as at 31 December 2010 amounted to Rs.11,392,394 and action in terms of the lease agreements had not been taken for the recovery of the arrears. Businesses were being carried out in those places even by 11 July 2011.
- (ii) A sum of Rs.3,597,300 was due as at 31 December 2010 from the buildings made available to Government institutions. It was observed that the lack of rent agreements had been an obstacle in taking legal action.
- (iii) Lease rent amounting to Rs.353,225 was due from 12 trade stalls of the new Trading Complex, Attanagalla as at 31 December 2010 and the lease agreements of 04 trade stall were not produced for audit.

2:4 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	<u>2010</u>			<u>2009</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent</u>						
<u>Expenditure</u>						
Personal Emoluments	68,536	55,707	12,829	52,727	54,068	(1,341)
Others	61,458	37,577	23,881	63,900	31,339	32,561
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Sub-total	129,994	93,284	36,710	116,627	85,407	31,220
Capital Expenditure	45,201	56,956	(11,755)	17,877	85,352	(67,475)
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Grand Total	175,195	150,240	24,955	134,504	170,759	(36,255)
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2:5 Human Resources Management

 Approved and Actual Cadre

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

Category of Posts	Approved	Actual
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Staff	03	03
Secondary	64	55
Primary	153	128
Other (Casual Temporary/ Substitute)	--	30
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Total	120	216
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2:6 Assets Management

2:6:1 Accounts Receivable

 The balances of accounts receivable as at 31 December 2010 amounted to Rs.1,682,727 and the balances of accounts older than 01 year totalled Rs.348,704.

2:6:2 Staff Loans not Recovered

The outstanding balance due from 37 employees as at 31 December 2010 amounted to Rs.256,974. These balances are brought forward from the years 1990, 1993 and 2001 and prior years. Even though these loans remaining not recovered due to deaths, interdiction, vacation of posts, retirements, etc. could have been recovered from the death gratuity, pension gratuity or the sureties those are being brought forward over the years as the Sabha had not paid adequate attention in that connection.

2:7 Operating Inefficiencies

2:7:1 Issue of Trade Licences

(a) Even though the issue of trade licences to the businesses run is the area of authority of the Sabha should be done in accordance with the reports of the Public Health Inspector and the Medical Officer of Health, it was observed that licences had been issued without obtaining such reports. As such a possible risk in the execution of the responsibility of the Sabha for the control of businesses not conforming to health care and detrimental to environment was observed.

(b) Even though the proprietors of businesses had made applications for licences, instances of non-issue of licences without adducing reasons were observed in audit.

2:7:2 Non-recovery of Temporary Pension

Temporary pension amounting to Rs.38,893 paid to an officer from January 1995 to December 2002 had not been recovered from the pension gratuity.

2:7:3 Employees' Security

Action had not been taken for the refund of employees' security deposits amounting to Rs.26,077 payable to officers/ employees who had retired, deceased or vacated posts up to 30 September 2010.

2:7:4 Withholding Tax

Action had not been taken for the recovery of the overpayment of Withholding Tax amounting to Rs.28,800 made to the Commissioner General of Inland Revenue.

2:8 Internal Audit

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

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management