

Thirukkovil Pradeshiya Sabha

Ampara 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 August 2011 and the financial statements for the preceding year had been presented on 13 June 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 29 January 2012.

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 Thirukkovil 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 forwarded 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 Thirukkovil 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 Policies

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

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.

1:3:3 Bank Accounts

There was an unreconciled debit balance of Rs.144,080 in the bank account.

1:3:4 Lack of Evidence for Audit

Replies for 6 audit queries had not been furnished upto 31 December 2010. The value of quantifiable transactions relating to the audit queries amounted to Rs.163,277.

1:3:5 Non-compliance

The following non compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules,
Regulations and Management
Decisions

Non-compliance

(a) Pradeshiya Sabha
(Finance and Administration)
Rules 1988

Rule 180

Officers handling cash and stores had not furnished security deposits.

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.

(b) Inland Revenue Act No.10 of 2006 Payments had been made without recovering the withholding tax amounting to Rs.12,861.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R. 571 Deposits to be credited to revenue by the Sabha for the period 2008 to 2009 amounting to Rs.803,932 had not been credited to revenue so far.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2010 was Rs.128,878 as compared with the excess of revenue over recurrent expenditure amounting to Rs.1,057,295 for the preceding year.

2:2 Revenue Administration

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

The estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman are shown 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	02	02	02
ii. Lease Rent	192	123	69
iii. Licence Fees	217	2,220	--
iv. Other Revenue	15,432	1,255	--

2:2:2 Court Fines

Action had not been taken to recover the sum of Rs.2,296,742 collected by the Magistrate's Court, Akkarapattu and remitted to the Provincial Commissioner of Revenue.

2:2:3 Stamp Fees

Action had not been taken to recover stamp fees of Rs.542,150 from the Registrar General as at 31 December 2010.

2:3 Expenditure Structure

The budgeted and the actual expenditure of the Sabha for the year under review and the variances, are shown below.

Item of Expenditure	Budgeted	Actual	Variance
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	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent Expenditure</u>			
Personal Emoluments	9,950	9,950	--
Others	3,376	3,376	--
	-----	-----	-----
Sub-total	13,326	13,326	--
Capital Expenditure	2,447	2,447	--
	-----	-----	-----
Grand Total	15,773	15,773	--
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2:4 Human Resources Management

 Approved and Actual Cadre

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

<u>Category of Posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	01	--
Secondary Grade	05	13
Primary Grade	18	15
Others	--	10
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	<u>24</u>	<u>38</u>

2:5 Assets Management

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- (a) The balances of employees' loans as at 31 December 2010 aggregated Rs.277,977 of which Rs.261,959 had exceeded a period of one year.
- (b) Deposits to be credited to revenue by the Sabha for the period 2008 to 2009 amounting to Rs.803,932 had not been credited to revenue so far.

- (c) Tender deposits of Rs.129,907 had remained in the deposits account without being refunded.
- (d) Thirteen items of goods of the Sabha had remained unutilized for a long period.

2:6 Completely Abandoned Projects

The following projects had been completely abandoned.

Project	Estimated Cost	Expenditure up to 31 December 2010	Reason
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03	Rs. 765,951	Nil	Negligence of the contractor

2:7 Internal Audit

Adequate internal audit had not been carried out at the institution.

3. Systems and Controls

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

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