

Athuruliya Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial statements for the year under review was presented for audit on 28 March 2013 and the financial statements for the preceding year had been presented on 05 April 2012. The report of the Auditor general for the year under review was issued to the Chairman of the Sabha on 29 August 2013.

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 Athuruliya Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my 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 Athuruliya Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Even though the Athuruliya Pradeshiya Sabah was established in accordance with the Notification published in the Gazette Extraordinary No.1421/26 of 01 December 2005 of the Democratic Socialist Republic of Sri Lanka, the distribution of the assets and liabilities between the Akuressa Pradeshiya Sabha and the Athuruliya Pradeshiya Sabha had not been settled even up to the audit inspection on 22 May 2013.
- (b.) The expected expenditure to be incurred from the Sabha Fund for the purchase of a road roller from a private institution amounting to Rs.1,000,000 had been debited to the Expenditure Account and credited to the creditors twice by journal

entry No.36. As such the balances of those accounts had been overstated by that amount.

- (c.) Payments had to be made for 06 works under the Rural Work Programme (Maga Neguma) for which agreements had been signed and work completed in the year 2012 and the money for that purpose was receivable from the Ministry of Economic Development. But provisions for debtors and creditors for Rs.3,000,000 in connection with those works and the adjustments of the accounts had not been made in the financial statements.

1.3.2 Unreconciled Control Accounts

According to the Control Accounts, the value of the balances of 04 items of account amounted to Rs.1,232,537 whereas according to the Subsidiary Registers the value of the balances of the accounts amounted to Rs.1,139,479. As such a difference of Rs.93,058 was observed.

1.3.3 Unsettled Accounts

Five liabilities accounts amounting to Rs.97,296 older than 05 years and brought forward had not been settled even during the year under review.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.7,786,458 could not be satisfactorily vouched in audit due to non-submission of the required information to the audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.14,428,210 as compared with the exceeding the revenue over recurrent expenditure amounting to Rs.2,576,953 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, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

| Source of Revenue | Estimated | Actual | Cumulative Arrears as at 31 December |
|----------------------|-----------|---------|--------------------------------------|
| ----- | ----- | ----- | ----- |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| (i.) Acre Tax | 888 | 812 | 429 |
| (ii.) Lease Rent | 16,440 | 1,429 | 11 |
| (iii.) Other Revenue | 3,513 | 4,611 | 1,831 |

2.2.2 **Rates and Taxes**

The following observations are made.

- (a.) The arrears of rates older than 01 year due from 80 Consumer premises in the area of authority of the Sabah amounted to Rs.214,542. The Secretary of the Sabha had not taken action in terms of Sub-section 158(1) of the Pradeshiya Sabha Act, No.15 of 1987 for the recovery of the arrears of revenue.
- (b.) Audit test checks revealed that the names of 31 rate payers included in the Register of Rates as at 31 December 2011 had not been posted in the Register of Rates for the year 2012. The arrears of rates for the year 2011 due from them amounted to Rs.7,063.

2.2.3 **Lease Rents**

A sum of Rs.23,870 had been in arrears as at the end of the year under review from three trade stalls of the Sabha.

2.2.4 Court Fines and Stamp fees

Court Fines amounting to Rs.253,384 and stamp fees amounting to Rs.5,743,142 remained receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities.

2.2.5 Business Licences

- (a.) The Athuruliya Pradeshiya Sabha had issued Certificates of registration of Business places to 45 places in the year 2012. As the Sabha had not taken action for the recovery of Trade Licence Fees and Business Tax from those places of businesses, a loss of Rs.45,000 had been caused to the Sabha Fund.
- (b.) In terms of Section 213 of the Pradeshiya Sabha Act No.15 of 1987, the places of business which had not obtained trade licences should be identified and the relevant amounts should be recovered within 06 months by filing cases against them. But such cases had not been filed in respect of the year 2012.

2.3 Irregular Transactions

The following observations are made.

- (a.) In terms of Sub-section 132(a) of the Pradeshiya Sabha Act No.15 of 1987 a sum determined by the Sabha can be granted to an incorporated Fund established for the Welfare of the Sabha or for providing relief to the officers of the Sabha in terms of distress caused to them. Nevertheless, a sum of Rs.100,000 out of the Sabha Fund had been granted in the year under review to the Welfare Society not so established.
- (b.) In terms Section 19(1) of the Pradeshiya Sabha Act no.15 of 1987. The officers can be deployed on the activities of the Sabha subject to the prior approval of the Commissioner of Local Government obtained by letter for the creation of posts and fixing salaries. Nevertheless, the substitutes watcher of the Sabha had been deployed in service and a sum of Rs.182,082 as salaries from the Sabha Fund without such approval.
- (c.) According to the letter dated 07 December 2012 of the Southern Provincial Commissioner of Local Government, the approval had not been granted to the

Sabha for a post of Works Supervisor in the approved Cadre. Nevertheless, a permanent employee had been deployed for that and a sum of Rs.302,097 had been paid as salary in the year under review.

- (d.) According to the Gazette Notification No.1807/02 dated 22 April 2013, of the Chief Minister, the travelling expenses can be paid to the members in accordance with the rules only for the functions assigned by the Sabha or devolved in the member as the representative of the public. Nevertheless, a sum of Rs.60,000 had been paid to the members of the Sabha in the year under review in 22 instances without any assigned of functions.

2.4 Contract Administration

The following matters were revealed at the physical inspection carried out on 28 May 2013 of the roads constructed in the area of authority of the Sabha in the year 2012 under the Rural Roads Development Programme Maga Neguma.

(a.) Development of the Wilpita- Panugaldeniya Road via Pitiyagodella – Rs.551,971

Even though earth had not been spread on the road shoulders on either sides of the road under Item No.06 of the estimate a sum of Rs.2,772 had been paid in that connection for 4.85 cubic meters.

- * Normally shuttering in either sides of the road is laid section by section instead of a single occasion. Nevertheless, that work on the road had been laid in a single occasion and a sum of Rs.17,414 had been paid for 41.76 square meters.

(b.) Imbulgahahena Watta Road Development- Stage II – Rs.500,000

- * Even though earth had not been spread on road shoulders on either sides of the road under Item 06 of the Estimate, a sum of Rs.10,232 had been paid for 18 cubic meters.

- * Normally shuttering on either sides of the road is laid section by section instead of a single occasion. Nevertheless, that work on the road had been laid in a single occasion and a sum of Rs.10,750 had been paid for 34.68 square meters.

(c.) Siyambalagoda Road – Angunna Road Stage II – Rs.681,836

- * Even though earth had not been spread on road shoulders on either sides of the road under Item 09 of the Estimate, a sum of Rs.28,645 had been paid for 54.89 cubic meters stating work had been done.
- * Normally shuttering on either sides of the road is laid section by section instead of in an occasion. Nevertheless, that work on the road had been laid in a single occasion and a sum of Rs.28,645 had been paid for 49.05 square meters.

2.5 Management Inefficiencies

The following observations are made.

- (a.) Even though a sum of Rs.111,840 had been paid from the Sabha Fund in the year under review as arrears of salary to three officers of the Sabha action had not been taken to obtain reimbursements of the money from the Commissioner of Local Government.
- (b.) Even though Ceylon Electricity Board had approved 57 street lamps for the area of authority of the Sabha, 374 street lamps had been installed in the area in the year 2012. Such installation of street lamps had not been reported to the Sabha.
- (c.) A Register of Fixed Assets for computer accessories and software had not been maintained in terms the Treasury Circular No.IAI/2002/02 of 28 November 2002.

2.6 Internal Audit

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

3. Systems and Controls

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

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