

Athuruliya Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 30 July 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Athuraliya Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Notes relating to accounting policies and assumptions followed in preparation of accounts for the year under review had not been furnished together with the accounts.

1.3.2 Accounting Deficiencies

Following matters are observed.

- (a) While specified forms had not been used and relevant expenditure Heads had not been debited through an analysis of the receipts and issues of stores goods and materials during the year under review, the difference arisen after adding purchases to the opening stocks in the ledger and adjusting the closing stock had been accounted as expenditure amounting to Rs. 1,814,499 in the Revenue and Expenditure account.
- (b) The Assets received as donations to the Pradeshiya Sabha from the Ministry of Provincial Councils and Local Government during the year 2014 had not been valued and shown in the financial statements.

- (c) The sum of Rs. 250,000 receivable from the Ministry of Ports and Highways for the Athuraliya Danhena Road as at end of the year under review had been accounted as Rs.25,000. Due to that, Capital Debtors had been understated in a sum of Rs. 225,000.
- (d) Purchases made during the year under review valued at Rs. 10,700 had not been accounted as Capital Expenditure.
- (e) The sum of Rs. 177,900 spent on 01 September 2014 for cushioning seats of Sabha Cab Vehicle No. PF-4507 had been accounted under recurrent expenditure without being accounted as capital Expenditure.
- (f) While a sum of Rs. 4,000,000 had been received for maintenance works under Pradeshiya Sabha Strengthening Program during the year under review, it had been accounted as recurrent revenue. Out of that, Creditors provision had been made targeting to spend Rs. 500,000 for a Tractor Trailer. However, relevant transfers of funds between Expenditure Heads had not been made.

1.3.3 Unreconciled Control Account

While the total value of balances relevant to three items of accounts according to financial statements was Rs. 743,565, according to the subsidiary registers/schedules value of those accounts had been Rs. 725,809 indicating a difference of Rs. 17,756.

1.3.4 Accounts Receivable and Payable

Following matters are observed.

- (a) In terms of clause 11.5 of the Circular No. 08/2005 dated 31 March 2005 of the Secretary to the Ministry of Public Administration, difference between the bank Rates of interest for property loans and 4.2 percent interest Rates recovered from the officer should be reimbursed by the Government. However the amount not reimbursed as at 31 December 2014 was Rs. 223,023.
- (b) Value of Accounts Receivable which had exceeded more than a period of one year as 31 December 2014 was Rs. 9,900.
- (c) Value of Accounts Payable which had exceeded more than a period of one year as 31 December 2014 was Rs. 283,888.

1.3.5 Lack of Evidence for Audit

Board of Survey Reports, proper Schedules etc. connected with Assets amounting to Rs.19,761,646 and Stamp Fees amounting to Rs. 3,878,685 shown in the financial statements had not been furnished to audit.

1.3.6 Non-compliance with Laws, Rules, Regulations etc.

Non-compliances observed in audit are shown below.

Reference to Laws, Rules, Regulations etc.

Non-compliance

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

Rule 193

A statement showing reasons for the surpluses and deficits, had not been submitted having compared the Budgeted and Supplementary Votes Expenditure with the actual expenditure.

Rules 218

Although the Chairman should take action to inspect all Lands and Buildings utilized and used for occupation by the Sabha at least once a year, such action had not been taken.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 had been Rs.5,229,520 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.167,516 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Items of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December 2014
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,074	1,364	548
(ii.) Rents	2,488	2,131	118
(iii) Other Revenue	17,015	21,958	3,997

2.2.2 Rates

While Rates billed for the year under review was Rs. 665,764, balance in arrears as at 01 January 2014 had been Rs. 452,770. While the amount recovered out of billings for the current year was Rs. 310,673, the progress of recovery was 46 per cent. While the amount recovered out of arrears as at 01 January 2014 was, 287,744, the progress of recovery was 63 per cent. Accordingly, it was observed that, the amount of recovery out of annual billings had been about 50 per cent during the year 2006.

2.2.3 Acreage Tax

Acreage Tax billed for the year under review was Rs. 12,307. The Balance in arrears as at 01 January 2014 had been Rs. 35,154. While the amount received out of billings for the year 2014 was Rs. 3,722; the progress of recovery had been 30 per cent. While the amount received out of arrears as at 01 January was, Rs. 392, it was observed that the progress of recovery had been a petty value such as 1 per cent.

2.2.4 Lease Rent

A sum of Rs. 78,402 was in arrears from 10 stall holders who had not paid rent properly according to the agreements during the year under review.

2.2.5 Court Fines and Stamp Fees

Court Fines and Stamp Fees outstanding to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
i. Court Fines	72,500
ii. Stamp Fees	1,878,685

3. Operating Review

3.1 Revenue Performance

Although the increase in revenue for the year 2013 had been 72 per cent when compared with the year 2007, increase in expenditure during that time range had been 112 per cent. While it was observed that the annual revenue generated by the Sabha had not been adequate enough to cover expenditure, the Sabha had covered expenditure by utilizing reimbursements sent by the Commissioner of Local Government. The Sabha had not taken steps to generate new sources of revenue during the past 07 years.

3.2 Operational Inefficiencies

Maintenance of Street Lamps

A total sum of Rs. 141,677 had been spent as Rs. 81,677 for the purchase of street lamp equipment and a sum of Rs. 60,000 as allowances to Street Lamps Maintainer during the year under review. Following matters are observed.

- (a) Although the approved number of street lamps for the area was 57, according to the Street Lamps Names Register, 457 street lamps had been maintained.
- (b) A sum of Rs. 28,581 for the period prior to the year 2012 and a sum of Rs. 3,804 for the year under review were outstanding from the Electricity Board for maintenance of street lamps.

- (c) While works relating to maintenance of street lamps had not taken place in terms of Paragraph 1.4 of the Circular No. PE/01/01 dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, although the electricity consumption in fixing street lamps, it should be limited to 3 per cent of the domestic and general retail electricity consumption in the Sabha area, attention had not been taken in that connection.

3.3 Management Inefficiencies

Although it is required to publish the roads belong to the Sabha in the area of authority of the Sabha through the Gazette, in terms of Section 24 of the Pradeshiya Sabha Act No. 15 of 1987, such action had not been taken with regards to new roads constructed after the year 2007.

3.4 Human Resources Management

Information relating to cadre of the Sabha as at 31 December 2014 is shown below.

Category of Employees	Approved	Actual	Vacant	Excess
Senior	01	01	-	-
Tertiary	01	02	-	01
Secondary	17	16	01	-
Preliminary	21	22	-	01
Others	-	03	-	03
	40	44	01	05

Following matters are observed.

- (a) While a sum of Rs. 12,145,229 had been reimbursed from the Commissioner of Local Government for Staff Salaries and Members Allowances, during the year a sum of Rs. 14,419,134 had been spent as salaries and allowances, causing an additional expenditure burden of Rs. 2,273,905 to the Sabha Fund.
- (b) A sum of Rs. 1,069,824 had been paid as salaries and allowances to employees recruited to a post of Sanitary Laborer and 2 posts of Watchers not approved.

- (c) Although an acting Post of Works Overseer had not been approved for the Pradeshiya Sabha, a sum totalling Rs.1, 855,837 had been paid for the period from May 2008 to December 2014 having recruited an employee to that post with effect from May 2008.

4. Accountability and Good Governance

4.1 Audit and Management Committees

Sabha had not established Audit and Management Committees.

4.2 Budgetary Control

The Budget of the Sabha had not been made use of as a tool of financial management as material variations were observed between budgeted revenue and expenditure and the actual revenue and expenditure.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Stores Administration
- (f.) Human Resources Management