

**Athuraliya Pradeshiya Sabha**

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**Matara District**  
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1. Financial Statements

1.1 Presentation of Financial Statements

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The Financial Statements for the year under review had been presented to the Audit on 15 July 2016 and the financial statements for the preceding year had been presented to the Audit on 31 March 2015. The Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 25 November 2017.

1.2 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the Athuraliya Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

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The accounting policies adopted for the preparation of the account had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

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The following observations were made during the course of audit.

- (a) The value of the land called Koralagehena owned by the Pradeshiya Sabha had not been brought to account.
- (b) The money payable to the Akuressa Pradeshiy Sabha for the property of the Sabha vested in the incorporation of the Sabha had been understated in the financial statements by a sum of Rs.84,933.
- (c) The expenditure on the construction of the car park in the premises of the Sabha had been overstated in the financial statements by a sum of Rs.105,231.

1.3.3 Accounts Receivable and Payable

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The following observations are made.

- (a) The sundry debtors balance as at the end of the year under review totaling Rs.15,091,249 included 05 balances amounting to Rs.223,043 older than 03 years.
- (b) The sundry creditors balance as at the end of the year under review totaling Rs.6,657,140 included 02 balances amounting to Rs.150,000 older than 03 years.

#### 1.3.4 Lack of Evidence for Audit

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The evidence such as the deeds and the Register of Assets in respect of lands and buildings totaling Rs.20,808,431 , Register of Fixed Assets in respect of machinery and equipment, motor vehicles and carts totaling Rs.73,917,955 , and the Registers of Works Debtors and Creditors as well as the confirmation of balance in respect of works debtor amounting to Rs.6,087,818 and the works creditors amounting to Rs.6,237,769 had not been furnished. As such those could not be satisfactorily examined in audit.

#### 1.3.5 Non-compliance with Laws, Rules and Regulations

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Contrary to the Financial Regulation 261(3) of the Republic of Sri Lanka , 07 cheques valued at Rs.1,120,137 had been issued without a sufficient balance in the cash book.

### 2. Financial Review

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#### 2.1 Financial Results

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According to the financial statements presented to Audit, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.6,182,783 as compared with the corresponding excess of revenue over the recurrent expenditure for the preceding year amounting to Rs.5,229,520. As compare with the preceding year, an improvement of Rs.953,263 in the financial results of the year under review was indicated.

#### 2.2 Analytical Financial Review

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- (a) The recurrent expenditure of the year under review, as compared with the preceding year had increased by a sum of Rs.5,444,536. In view of the recurrent expenditure being over 80 per cent of the total recurrent revenue, the Sabha did not have sufficient revenue for the implementation of development projects.
- (b) A Summarized Statement of the Revenue Grants, Self-generated Revenue and the total recurrent expenditure of the Sabha for the year under review and the two preceding years is given below.

Year	Total Recurrent Revenue	Revenue Grants	Self- generated Revenue	Total Recurrent Expenditure	Recurrent Expenditure exceeding the Self- generated Revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	31,989,945	20,633,843	11,356,102	25,807,161	(14,451,059)
2014	25,592,144	17,226,537	8,365,607	20,362,625	(11,997,018)
2013	17,030,152	9,996,354	7,033,798	16,862,636	(9,828,838)

The following observations are made in this connection.

- (i) An improvement in the revenue grants as well as an average improvement of the self generated revenue of the Sabha had occurred in the year under review and the two preceding years.
- (ii) Even though the recurrent expenditure had been increasing at a fast pace in considerable amounts in every year, the attention of the Sabha had not been paid for controlling that situation.
- (iii) The recurrent expenditure of all three years had exceeded the self-generated revenue of the Sabha by considerable amounts.
- (iv) It was indicated that in all three years the Sabha would not have been able to cover the recurrent expenditure in whatever manner, if not for the receipt of the revenue grants.
- (v) In view of the matters pointed out in paragraphs (i) to (iv) above, it is observed that the attention of the Sabha needs to be paid for raising the revenue position, that a formal course of action for that purpose should be prepared and implemented, that, if not, it would create problems relating to the financial position of the Sabha thereby causing adverse impacts on the going concern of the Sabha.

## 2.3 Revenue Administration

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### 2.3.1 Rates and Taxes

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The opening outstanding balance of the year under review amounted to Rs.582,003 and the billing for the year amounted to Rs.668,326 and 25 per cent of the outstanding balance and 40 per cent of the billings had been recovered. Action in terms of section 158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of the arrears of rates.

### 2.3.2 Courts Fines and Stamp Duty

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Courts fines amounting to Rs.24,650 and Stamp Duty amounting to Rs.7,641,937 had been receivable as at 31 December 2015 from the Chief Secretary of the Provincial Council and other Authorities.

### 2.3.3 Environment Permits

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The Sabha had been deprived of the revenue amounting to Rs.189,200 due to the failure to issue Environment Permits to 43 Institutions / Industries maintained in the area of authority of the Sabha.

### 3. Operating Review

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#### 3.1 Performance Evaluation

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Even though plans had been made for the implementation of 216 Development Work Proposals during the year under review , only 06 proposals had been implemented. Nevertheless, a sum of Rs.1,000,000 had been invested in fixed deposits.

#### 3.2.1 Human Resources Management

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Even though 11 persons exceeding the number approved in the Cadre Plan had been deployed in service, action had not been taken to formalize those posts and for filling the vacancies that existed in 02 approved posts.

### 4. Good Governance and Accountability

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#### 4.1 Budgetary Control

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The non-achievement of the targeted revenue under 02 Items of Revenue totaling Rs.775,279 , revenue exceeding the budgeted limits of 03 other Item of Revenue amounting to Rs.6,233,123 and savings amounting to Rs.1,470,109 in 04 Items of Expenditure in the budget for the year under review existed and as such the budget had not been made use of as an effective instrument of financial management control.

#### 4.2 Internal Audit

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Even though an adequate internal audit had not been carried out as specified in the provisions in Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. දපපා/යන/01/නවලේ dated 24 February 2014 of the Commissioner of Local Government (Southern Province) the Internal Audit Officer appointed had been paid a sum of Rs.430,728 as salaries and allowances during the year under review.

#### 4.3 Audit and Management Committee

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Action in terms of the provisions in the Management Audit Circular No. DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

#### 4.4 Assets Management

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##### Annual Board of survey

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The computable value of the shortages of goods revealed at the Board of Survey for the year under review amounted to Rs.286,513.

5. Systems and Controls

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

- (a) Assets Management
- (b) Accounting
- (c) Revenue Administration
- (d) Budgetary Control.
- (e) Financial Control