

Attalaichchenai 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 26 May 2010. 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 Attalaichchenai 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 Attalaichchenai 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.

- (a) The financial statements had not been prepared on accrual basis.
- (b) Provision had not been made for replacement of fixed assets.

1:3:2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Provision for audit fees had not been made in the accounts in terms of Section 172(2) of the Pradeshiya Sabha Act, No. 15 of 1987.
- (b) The land and buildings of the Sabha had not been valued and brought to accounts.
- (c) There was no information available on refundable deposits amounting to Rs.589,312.
- (d) The value of stock of electrical equipment shown as Rs.151,891 had been based on book value instead of being physically verified.
- (e) Interest on fixed deposits had not been computed and brought to account.
- (f) The government capital grant had been overstated in the financial statements by Rs.14,153,216.
- (g) Other deposits of the Sabha for the period 2000 to 2009 amounting to Rs.309,236 had remained unsettled.

1:3:3 Non-compliance

The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988 ----- Rule 180	Officers handling cash and stores had not furnished security deposits.

- Rule 217 A register of fixed assets had not been maintained by the Sabha in terms of PS 46.
- Rule 218 Land and buildings had not been verified by a competent officer.

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 amounted to Rs.142,489 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,349,154 for the preceding year.

2:2 Revenue Administration

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

Information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman is shown below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	-----	-----	-----	-----
		Rs.'000	Rs.'000	Rs.'000
(i)	Rates and Taxes	10	20	--
(ii)	Lease Rent	2,394	1,167	156
(iii)	Licence Fees	585	295	--
(iv)	Other Revenue	288,300	835	--

2:2:2 Court Fines

Action had not been taken to recover court fines of Rs.835,150 recovered by the Magistrate's Court Akkaraipattu upto 31 December 2010 and remitted to the Provincial Commissioner of Revenue.

2:2:3 Stamp Fees

Action had not been taken to recover stamp fees of Rs.1,036,805 as at 31 December 2010 from the Registrar General.

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 ----- Rs.'000	Actual ----- Rs.'000	Variance ----- Rs.'000
<u>Recurrent Expenditure</u>			
Personal Emoluments	8,709	8,621	88
Others	4,477	2,798	1,679
Sub-total	13,186	11,419	1,767
Capital Expenditure	28,013	1,276	26,236
Grand Total	41,199	12,695	28,003
	=====	=====	=====

2:4 Employees' Loans Recoverable

The balances of employees' loans recoverable as at 31 December 2010 aggregated Rs.3,268,509 of which balances exceeding 1 year aggregated Rs.10,120.

2:5 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 Post</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	01	--
Secondary Grade	09	12
Primary Grade	14	14
Others	--	08
	-----	-----
	24	34
	===	===

2:6 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