

Ayagama Pradeshiya Sabha

Ratnapura District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 27 February 2012 and the financial statements for the preceding year had been presented on 22 February 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 20 June 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 Ayagama Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued 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 Ayagama Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year than ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

Security deposits amounting to Rs. 4,240,917 received during the year under review had been brought to account as Rs. 2,787,920 and the security deposits amounting to Rs. 2,405,454 released during the year under review had been brought to account as Rs. 3,197,319. Therefore, the balance of the deposits account had been understand by Rs. 2,244,862.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs. 1,402,258 as against the excess of recurrent expenditure over revenue amounting to Rs. 226,099 for the preceding year.

2:2 Financial Control

The total of the balances according to the control accounts relating to 10 items of accounts was Rs. 13,209,406 and according to the subsidiary registers, the total of the balances of the said accounts was Rs. 6,178,259.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	188	164	106
(ii) Lease Rent	1,286	1,288	-
(iii) Licence Fees	262	270	5
(iv) Other Revenue	6,129	16,676	(6,404)

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	2,450,584
(ii) Stamp Fees	544,986

2.4 Irregular Transaction

Office equipment valued at Rs. 43,750 had been purchased during the year under review, without calling for quotations. The equipment purchased did not match with the details of equipment mentioned on the bill.

2.5 Contract Administration

A sum of Rs. 217,400 had been paid for 75 feet long retention wall under item of work No. 05 of the estimate for the construction of a part of the retention wall at the end of the playground of the Rahula Central College, Ayagama. However, a physical check carried out on 06 December 2011 revealed that the length of the retention wall was only 71 feet. Therefore, an overpayment of Rs. 17,363 had been made.

2.6 Operating Inefficiencies

The following observations are made.

- (a) Action had not been taken to settle the lapsed deposits amounting to Rs. 756,697 in terms of Financial Regulation No. 571 of the Democratic Socialist Republic of Sri Lanka.
- (b) Goods valued at Rs. 96,640 received during the year under review had not been recorded in a stocks register.
- (c) The total of the staff loan balances outstanding for over one year as at 31 December 2011 amounted to Rs. 61,045 and the total of accounts receivable amounted to Rs. 89,500.
- (d) Annual performance reports had not been prepared.

2.7 Underutilization of funds

No expenditure had been incurred out of the provisions totalling Rs. 427,000 obtained during the year under review relating to 37 items of expenditure.

3 Systems and Controls

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

- (a) Accounting
- (b) Revenue Control
- (c) Budgetary Control