

Koralai Pattu West Pradeshiya Sabha
Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements:

The financial statements for the year under review had been presented on 16 June 2011 and the financial statements for the preceding year had been presented for audit on 15 March 2010.

1.2 Opinion

So far as appears from my examination and to the best of my information and according to the explanations given to me, I am of opinion that, the Koralai Pattu West 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 paragraph 1.3 of this report, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles give a true and fair view of the state of affairs of the Koralai Pattu West Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounts Payable

The balances of accounts payable as at 31 December 2010 amounted to Rs.30,629.

1.3.2 Non-compliance

The following non-compliances with Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules, Regulations etc	Non-Compliance
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a) Director of Health Services Circular No.1769 dated 1992 September 30	Drawing fees amounting to Rs. 105,823 had been paid to Public Health Inspectors contrary to the circular
b) Procurement Guideline No. 3.9.1	Civil works of 04 community centres had been awarded to the value of Rs. 385,381 contrary to the Procurement Guide Line.
c) Inland Revenue Act No. 10 of 2006 - Section 153.	Withholding Tax of 5% amounting to Rs.70,737 had not been deducted from

payments amounting to Rs.1,414,740.

- d) Stamp Duty Act No. 12 of 2006 A sum of Rs. 300 had not been deducted from remunerations.
- e) Financial Regulation No. 396 Action had not been taken with regard to cheques valued at Rs.44,843 remaining unrealized for over 06 months.
- f) Financial Regulation No. 138 A sum of Rs 14,935 had been paid for various purposes without being certified by the responsible officer.
- g) Special Gazette Notification, North-East Province (amended) Section of 184 Pradeshiya Sabha Act No.15 of 1987. A sum of Rs. 7,620 had been paid for entertainment to the Members contrary to the circular.
- h) Circular of the Provincial Commissioner of Local Government No. 1996/02 A sum of Rs. 1,700 had been paid to a member of the Sabha for physical verification of assets contrary to the circular.
- i) Pradeshiya Sabha Act No.15 of 1987. Section 132 (k) A sum of Rs.31,720 had been paid in connection with issue of certificates to students. Approval of the Secretary to the Ministry had not been obtained for this.

2. Financial and Operating review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs 1,953,148 as compared with the revenue exceeding the recurrent expenditure of the preceding year of Rs 533,341.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue, Arrears of Revenue

The position with regard to the estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year, as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	2,691	262	8,862	1,679	1,688	6,452
(ii) Lease Rent	3,373	2,815	578	403	403	--
(iii) Licence Fees	974	1,008	25	885	946	59
(iv) Other Revenues	8,223	8,223	--	2,061	563	1,498

2.3 Expenditure Structure

The estimated, and actual expenditure and the variances of the Sabha for the year under review and the preceding year are given below.

<u>Item of Expenditure</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Variance</u>	<u>Estimated</u>	<u>Actual</u>	<u>Variance</u>
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<u>Recurrent Expenditure</u>						
Personal						
Emoluments	14,610	11,758	2,852	9,973	9,460	513
Other	4,292	2,538	1,754	4,595	2,656	1,939
Sub- total	18,902	14,296	4,606	14,568	12,116	2,452
Capital						
Expenditure	14,463	3,353	11,110	1,320	425	895
Grand total	<u>33,365</u>	<u>17,649</u>	<u>15,716</u>	<u>15,888</u>	<u>12,541</u>	<u>3,347</u>

2.4 Human Resources Management. Approved and Actual Cadre

Particulars of the approved and the actual cadre of the Sabha are given below.

<u>Category of Post</u>	<u>As at 31 December 2010</u>	
	<u>Approved</u>	<u>Actual</u>
Staff Grades	01	01
Secondary Grades	09	09
Primary Grades	25	25
Others (Casual/ Temporary)	--	19
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	35	54
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2.5 Assets Management

2.5.1 Idle and Underutilized Physical Resources

It was observed at audit test checks that, Motor Vehicles, Machinery and Office Equipment valued at Rs 225, 000 had remained idle or underutilized for over 03 years.

2.5.2. Accounts Receivable

Balance recoverable for over a period of 7 years as at 31 December 2010 amounted to Rs.458,331.

2.5.3 Staff Loans Recoverable

Balances of staff loans recoverable for over a period of 3 years as at 31 December 2010 totalled Rs.61,416.

2.5.4 Assets not verified

The value of the assets computed on book balances and not supported by physical verifications / board of survey reports amounted to Rs 52,525,370 as at 31 December 2010.

2.6 Internal Audit

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

3. Systems and Controls

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

- (a) Internal Audit
- (b) Revenue Administration