

Lahugala 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 08 June 2012 and the financial statements for the preceding year had been presented on 03 August 2011. The report of the Auditor General for the year under review was forwarded to the Chairman of the Sabha on 30 April 2013.

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 Lahugala 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, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Lahugala Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The following observations are made.

- (a) A policy had not been adopted to account for, the arrears of revenue.

- (b) Warrant Charges and fines had been accounted for, on cash basis.

1.3.2 Accounting Deficiencies

- (a) According to the bank reconciliation statement relating to the Bank Account No.6162300 for the month of December 2011, the balance appearing in the cash book was Rs.327,863. However, this had been shown as Rs.265,713 in the financial statements showing a difference of Rs.62,150.
- (b) Bank Charges of Rs.1,500 for the year under review and the payments amounting to Rs.20,000 not noted in the cash book had not been shown as expenditure of the year in the financial statements. This had been adjusted in the bank reconciliation statements. Further, deposits for which receipts had not been issued amounting to Rs.497,168 had not been included in the financial statements. This had been adjusted in the bank reconciliation statement as above.
- (c) The value of the tractor and the trailer belonging to the Sabha had not been computed and shown in the financial statements.
- (d) The capital aid of Rs.3,369,634 had been shown in the Income and Expenditure Account as sale of capital assets.
- (e) The revenue from Court Fines for the year under review was Rs.746,833. However, this had been shown as Rs.1,221,184 in the financial statements overstating the revenue from court fines for the year by Rs.474,351. Further, court fines of Rs.746,833 receivable as at 31 December 2011 had not been included in the financial statements.
- (f) The revenue from stamp fees of Rs.4,000 relating to the year under review should have been included in the Income and Expenditure Account as revenue of the year

and accounted for, as arrears in the balance sheet. However, these had not been done.

1.3.3 Lack of Evidence for Audit

(a) Unreplied Audit Queries

Replies for 02 audit queries had not been furnished by 09 May 2013. The computable value of transactions subjected to those queries amounted to Rs.2,419,067.

(b) Non-rendition of Information to Audit

Transactions totalling Rs.16,909,173 could not be satisfactorily vouched in audit due non rendition of necessary information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2011 was Rs.257,700 as against the recurrent expenditure exceeding the revenue of the preceding year amounting to Rs.1,437,550.

2.2 Financial Control

2.2.1 Bank Accounts

Action had not been taken with regard to the long outstanding unrealized cheques amounting to Rs.77,056.

2.2.2 Dormant Bank Account

The following bank accounts remained dormant for many years.

Account -----	Balance as at 31 December -----	Period of Dormancy -----
	Rs.	
(i.) People’s Bank - Pothuvil 1766	(49,201)	From 01.01.2007
(ii.) Bank of Ceylon - Pothuvil 6864096	5,947	From 01.01.2010
(iii.) Bank of Ceylon - Monaragala 1446	7,408	Prior to 1999

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue -----	Estimated -----	Actual -----	Accumulated Arrears as at 31 December -----
	Rs.	Rs.	Rs.
Rent	375,000	169,124	-
Licence Fees	128,350	137,489	-
Warrant Charges and fines	461,950	1,224,184	-
Other Revenue	114,150	6,745	26,763

2.3.2 Court Fines and Stamp Fees

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

	Rs.
(i) Court Fees	746,833
(ii) Stamp Fees	4,000

2.4 Operating Inefficiencies

- (a.) At present the Sabha uses 03 cabs, 04 tractors and 04 trailers. Action had not been taken to acquire these in favour of the Sabha.
- (b.) Action had not been taken to pay the sum of Rs.33,198 due to the Local loans and Development Fund, as per agreement.

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management