

**Pathadumbara Pradeshiya Sabha**  
**Kandy District**

1. Financial Statements  
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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been presented for audit on 31 March 2011, and the Financial Statements for the preceding year had been presented for audit on 26 February 2010.

1.2 Opinion  
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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 Pathadumbara Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effect 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 Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Pathadumbara Pradeshiya Sabha as at 31 December 2010 and the Financial Results of its operations.

1.3 Comments on Financial Statements  
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1.3.1 Accounting Deficiencies  
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(a) Court fines receivable as at the end of the year 2010 was Rs. 189,588. But it had been accounted for as Rs. 202,276 in that the revenue and the revenue debtors had been overstated in the accounts by Rs. 12,688.

- (b) Stationery and office equipment purchased for Rs. 12,270 during the year 2010 had been capitalized as fixed assets in that the Fixed Assets and Revenue Contribution to Capital out lay accounts had been overstated by that amount.
- (c) Plant and machinery purchased during the previous years to the value of Rs. 230,775 had been shown under current assets without being capitalized.
- (d) Cash in hand as at 31 December 2010 amounting to Rs. 42,054 had been adjusted to Peoples Bank account balance without being disclosed in the balance sheet under cash in officers hand.
- (e) Even thogh the balance of the Fixed Assets account should equal to the balance of the Revenue Contribution to Capital outlay, there had been a difference of Rs. 153,000 between those accounts.
- (f) Provision of Rs. 17,825 had not been made under creditors for incentive allowance payable to the staff in respect of stamp fees collected on land transfers.
- (g) A sum of Rs. 1,019,847 being the value of 05 buildings constructed and improved in the year under review had not been capitalised.
- (h) Fuel bills for Rs. 37,308 relating to November and December of the preceding year had been paid debiting the expenditure head of the current year thus overstating the expenditure of the year under review by that amount.

- (i) Provision had not been made under creditors for Rs. 74,210 paid as arrears of salary to a teacher of a pre- school for the period 01 September 2001 to September 2009.

1.3.2 Unreciled Control Accounts

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According to control accounts relating to 04 items of accounts, the balances totalled Rs. 18,726,436 whereas according to subsidiary registers, account balances totalled Rs. 19,693,875.

1.3.3 Account Payable

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The account balances payable that had been remaining for over a period of 01 year as at 31 December 2010 amounted to Rs.387,424.

1.3.4 Lack of Evidence for Audit

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Non- rendition of Information for audit

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Transactions totalling Rs. 10,774,677 could not be satisfactorily vouched due to non- availability of information for audit.

1.3.5 Non-compliances

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The following non-compliances with provisions in laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules and Regulations      Non-compliance  
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(a) Inland Revenue Act No. 10 of 2006      Withholding Tax of Rs.4,784 relating  
Section 153      to purchase of street lamp equipment  
had not been remitted to  
Commissioner General of Inland  
Revenue.

(b) Public Finance Circular No. PF/437 of      Instructions had been issued that all  
18 September 2009.      insurance coverage should be  
obtained from Sri Lanka Insurance  
Corporation Limited or Insurance  
Trust Fund. But an Insurance  
coverage had been obtained from an  
external institution spending a sum of  
Rs. 19,460 contrarily.

2.      Financial and Operating Review  
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2.1      Financial Results  
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According to the Financial Statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2010 was Rs.10,656,591 and the corresponding revenue over recurrent expenditure for the preceding year was Rs.774,315.

2.2 Revenue Administration  
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2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue  
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Particulars of estimated revenue, actual revenue and arrears of revenue submitted by the Chairman in respect of the year under review and the preceding year are given below.

| Item of Revenue     | Estimated | 2010   |                                       | 2009      |        | Accumulated Arrears as at 31 December |
|---------------------|-----------|--------|---------------------------------------|-----------|--------|---------------------------------------|
|                     |           | Actual | Accumulated Arrears as at 31 December | Estimated | Actual |                                       |
|                     | Rs.       | Rs.    | Rs.                                   | Rs.       | Rs.    | Rs.                                   |
|                     | '000      | '000   | '000                                  | '000      | '000   | '000                                  |
| (I) Rates and Taxes | 3,100     | 3,078  | 1,433                                 | 2,700     | 2,410  | (290)                                 |
| (II) Lease Rent     | 2,138     | 1,450  | 650                                   | 1,255     | 1,423  | 168                                   |
| (III) Licence Fees  | 1,587     | 1,483  | -                                     | 1,232     | 1,549  | 317                                   |
| (IV) Other Revenue  | 16,911    | 10,785 | 515                                   | 10,816    | 12,975 | 2,159                                 |

2.2.2 Court Fines  
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Court fines collected by 03 Magistrate Courts under various Ordinances and remitted to Chief Secretary up to 31 December 2010 amounting to Rs. 202,276 had remained as receivable to the Sabha.

2:2:3 Stamp Fees  
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Stamp fees of Rs.9,051,830 had remained as receivable from the Registrar General as at 31 December 2010.

2.2.4 Outstanding Rates

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Action had not been taken to collect arrears of rates and taxes amounting to Rs. 1,516,374 remained as at the end of the year under review in terms of Section 158(1) (a) of Pradeshiya Sabha Act No. 15 of 1987.

2.2.5 Arrears of Lease Rent

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Trade Stall rent of Rs. 501,584 had remained as recoverable from 18 lessees since the year 2009 due to failure to recover lease rent in terms of lease agreements.

2.3 Expenditure Structure

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Estimated and actual expenditure of the Sabha for the year under review and the preceeding year along with the relevant variances are given below.

| Item of Expenditure   | <u>2010</u> |        |          | <u>2009</u> |        |
|-----------------------|-------------|--------|----------|-------------|--------|
|                       | Budgeted    | Actual | Variance | Budgeted    | Actual |
| -----                 | -----       | -----  | -----    | -----       | -----  |
|                       | Rs.         | Rs.    | Rs.      | Rs.         | Rs.    |
|                       | '000        | '000   | '000     | '000        | '000   |
| Recurrent Expenditure |             |        |          |             |        |
| -----                 |             |        |          |             |        |
| Personal Emoluments   | 21,298      | 16,743 | 4,555    | 19,257      | 17,76  |
| Other                 | 13,163      | 8,488  | 4,675    | 12,657      | 6,73   |
|                       | -----       | -----  | -----    | -----       | -----  |
| Sub Total             | 34,461      | 25,231 | 9,230    | 31,914      | 24,49  |
| Capital Expenditure   | 20,400      | 25,911 | (5,511)  | 11,810      | 30,90  |
|                       | -----       | -----  | -----    | -----       | -----  |
| Grand Total           | 54,861      | 51,142 | 3,719    | 43,724      | 55,39  |
|                       | =====       | =====  | =====    | =====       | =====  |

2.4 Entire Savings of Provisions  
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The provision of Rs. 912,500 made for 05 expenditure items through annual estimate of 2010 had been saved entirely without being utilized for the purposes concerned.

2.5 Human Resources Management  
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Approved and Actual Cadre  
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Particulars of approved and actual cadre of the Sabha as at 31 December 2010 are given below.

| Grade<br>-----             | Approved<br>----- | Actual<br>----- |
|----------------------------|-------------------|-----------------|
| Staff                      | 02                | 02              |
| Secondary                  | 27                | 24              |
| Primary                    | 27                | 24              |
| Other (Casual / Temporary) | -                 | 11              |

2.6 Assets Management  
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2.6.1 Idle and Underutilized Physical Resources  
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It was observed at audit test check that there had been 04 items of assets valued at Rs. 96,490 which were more than 02 years old.

2.6.2 Accounts Receivable  
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Balances of accounts receivable as at 31 December 2010 was Rs. 29,253,019 and the balances of accounts remaining for over a period of 01 year totalled Rs.163,155.

2.6.3 Staff Loans Recoverable

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The value of staff loan advance balances receivable as at 31 December 2010 was Rs. 4,243,429 while the balances of accounts remained outstanding for over a period of 01 year totalled Rs. 39,557.

2.7 Operating Inefficiencies

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- (a) Arrears of salary amounting to Rs. 13,200 paid to a Ayurvedic doctor for the year 2007 had not been get reimbursed from the Department of Local governments.
- (b) The sum of Rs. 39,000 spent on street lamps within the administrative area of the Sabha had not been get reimbursed.
- (c) A sum of Rs. 25,000 deposited in an agency post office in the year 2002 for a telephone connection had remained as unrecoverable.

2.8 Internal Audit

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An adequate internal audit had not been carried out in the Institution.

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Control
- (d) Debtors and Creditors Control

