

**Sithawaka Pradeshiya Sabha****Colombo District****1. Financial Statements****1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 22 March 2012 and the financial statements for the preceding year had been presented on 29 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 October 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 Sithawaka 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 Sithawaka 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 Deficiencies**

The accounting errors in the accounts are shown as revenue, expenditure, assets and liabilities under instances and values in the following table.

	<b><u>Revenue</u></b>		<b><u>Expenditure</u></b>		<b><u>Assets</u></b>		<b><u>Liabilities</u></b>	
	<b><u>No of instances</u></b>	<b><u>Value Rs '000</u></b>	<b><u>No of instances</u></b>	<b><u>Value Rs '000</u></b>	<b><u>No of instances</u></b>	<b><u>Value Rs '000</u></b>	<b><u>No of instances</u></b>	<b><u>Value Rs '000</u></b>
(i.) Understatements in Accounts	1	5	1	54	-	-	-	-
(ii.) Omissions in Accounts	-	-	-	-	2	452	-	-
(iii.) Others	-	-	-	-	-	-	1	16,358

**1.3.2 Unreconciled Accounts**

The balances of 03 items of accounts aggregated Rs.66,673,960 as per control accounts whereas it was Rs.55,064,817 as per subsidiary registers/ reports.

**1.3.3 Unsettled Accounts**

The sum of Rs.1,129,821 which continued to be brought for about 10 years had not been settled even during the year under review.

**1.3.4 Accounts Payable**

The balances of accounts payable as at 31 December 2011 aggregated Rs.111,193,414 and an age analysis had not been furnished for same. Action had not been taken either to credit to revenue of the Sabha or to refund the deposits of Rs.16,300,990 which had exceeded a period of 02 years.

**1.3.5 Lack of Evidence for Audit**

Transactions aggregating Rs.20,687,666 could not be satisfactorily vouched in audit due to 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.19,526,771 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.9,684,184.

**2.2 Revenue Administration**

**2.2.1 Estimated Revenue, Actual Revenue and the 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	Accumulated arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	11,274	11,832	(558)
(ii) Lease rent	13,846	15,205	(1,359)
(iii) Licence Fees	1,992	1,379	(613)
(iv) Other Revenue	14,055	14,492	(437)

It was observed in audit that the figures furnished had not reconciled with the accounts.

### 2.3 Budgetary Control

Significant variances were observed between the estimated income and expenditure and the actual income and expenditure and it was not observed that the budget had been utilized as an effective instrument of management control.

### 2.4 Operating Inefficiencies

- (a.) The balance of the bank current account as at 31 December 2011 was Rs.12,708,798. However, action had not been taken at least to invest the surplus amount in a short term investment.
- (b.) A physical verification carried out on 07 December 2011 revealed that the operations of the Nenasala Centre had ceased after May 2011. 18 students had paid Rs.37,950 as computer course fees and the Sabha had paid Rs.23,400 as fees for lectures.
- (c.) The balances of accounts receivable as at 31 December 2011 amounted to Rs.53,662,546. Of these, 86% were recoverable from government institutions.
- (d.) The corporate plan and the action plan to be prepared as per Treasury circular No.PED/12 of 02 June 2003 had not been prepared.
- (e.) Action had not been taken in terms of Financial Regulation 571(3) with regard to deposits aggregating Rs.3,329,633, exceeding 05 years from the dates of deposits.

**2.5 Internal Audit**

An adequate internal audit had not been carried out in the institution and an Audit and Management Committee had not been established.

**3. Systems and Controls**

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

- a. Accounting
- b. Revenue Administration
- c. Stock Control