

Athuruliya Pradeshiya Sabha
Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial statements for the year under review had been presented for audit on 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 29 December 2014.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3.3 of this report, the financial statements give a true and fair view of the financial position of the Athuruliya Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following matters are observed.

- (a) According to Circular No. PED/54 of 19 January 2010 of the Director General of Public Enterprises, the Local Authorities should prepare financial statements in accordance with the Sri Lanka Public Sector Accounting Standards from 01 January 2011. Nevertheless, those Standards had not been followed.
- (b) The cash flow statement had not been presented along with the financial statements of the year under review.

1.3.2 Accounting Policies

The accounting policies followed in the preparation of those accounts had not been disclosed in the financial statements presented for the year under review.

1.3.3 Accounting Deficiencies

The following matters are observed.

- (a) Even though the Athuruliya Pradeshiya Sabha was incorporated in accordance with the Notification published in the Gazette Extraordinary No.1421/26 of 01 December 2005 of the Democratic Socialist Republic of Sri Lanka, the sum of Rs.675,576 noted as a loan payable to the Akuressa Pradeshiya Sabha in the assigning of the assets and liabilities by the Akuressa Pradeshiya Sabha to the Athuruliya Pradeshiya Sabha, had not been settled.
- (b) Debiting of relevant Expenditure Heads by an expenditure analysis using prescribed specimen forms for receipt and issue of goods and materials of stores of the year under review had not been carried out and the difference after adjusting the closing stocks by adding purchases to

the opening stocks in the Ledger had been entered in the Income and Expenditure Account as an expenditure of Rs. 1,522,366.

1.3.4 Unreconciled Control Account

According to the financial statements, the total of the balances of 04 items of account amounted to Rs.972,440 whereas according to the supporting documents /schedules, the total of the balances of the accounts amounted to Rs.979,136. As such, a difference of Rs.6,696 was observed.

1.3.5 Accounts Receivable and Payable

The following matters are observed.

(a) The total of the balances of accounts receivable for over a period of 01 year as at 31 December 2013 amounted to Rs. 1,431,812.

(b) The total of the balances of accounts payable for over a period of 01 year as at 31 December 2013 amounted to Rs. 1,771,141.

1.3.6 Lack of Evidence for Audit

Reports of Annual Boards of Survey on lands and buildings belonging to the Sabha valued at Rs. 19,743,047 were not available.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with following laws, rules and regulations observed in audit are as follows.

Reference to Laws, Rules, Regulations etc.

Non-compliance

(a) Pradeshya Sabha (Finance and Administration) Rules 1988

Rule 218

Even though the Chairman should take action to verify the lands and buildings once in every year, it had not been so done.

(b) Treasury Circular No. I.A.I. 2002/02 of 28 November 2002

A Register of Fixed Assets in respect of computer accessories and software had not been maintained.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.167,516 as compared with the excess of revenue over recurrent expenditure amounting to Rs.14,428,210 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue relating to the year under review presented by the Chairman is given below.

Items of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December 2013
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,044	1,195	541
(ii.) Rents	1,997	2,100	117
(iii) Other Revenue	14,732	13,608	16,520

2.2.2 Rates

Billing of rates for the year under review amounted to Rs. 693,357 and the outstanding balance as at 01 January 2013 amounted to Rs. 101,643. The amount collected in the year from billings of the current year amounted to Rs. 390,070 and the progress of recovery was 56 per cent. Out of the arrears of rates as at 01 January 2013, the amount received this year amounted to Rs. 184,904 and the progress of recovery was 45 per cent.

2.2.3 Acreage Tax

Billing of acreage tax for the year under review amounted to Rs. 13,255. The outstanding balance as at 01 January 2013 amounted to Rs. 31,886. The amount received in the year from billings in the year 2013 amounted to Rs. 6,864 and the progress of recovery was 51 per cent. Out of the outstanding amount as at 01 January 2013, the amount received this year amounted to Rs. 1,723 and the progress of recovery had taken a low percentage as 5 per cent.

2.2.4 Stamp Fees

The value of stamp fees receivable from the Chief Secretary and other authorities of the Provincial Council as at the end of the year under review amounted to Rs. 2,318,289.

3. Operating Review

3.1 Management Inefficiencies

- (a) The Government should reimburse the difference between the bank interest rate for property loans and the interest rate of 4.2 per cent recovered from the officer in terms of Section 11.5 of Circular No. 08/2005 of 31 March 2005 of the Secretary of Public Administration. Nevertheless, the amount not reimbursed as at 31 December 2013 amounted to Rs. 208,716.
- (b) Even though the roads belonging to the Sabha within the area of authority of the Sabha should be published in the Gazette in terms of Section 24 of the Pradeshiya Sabha Act No, 15 of 1987, it had not been so done in respect of roads constructed by the Sabha after the year 2007. A Register including the details of the nature of the roads such as distance, breadth, starting place and ending place, tar, concrete, gravel and street lines of each road in respect of the roads within the area of authority of the Sabha.

3.2 Operating Inefficiencies

Maintenance of Street Lamps

- (a) Even though the number of street lamps approved for the area of authority within the Sabha was 57, according to the Register of Street Lamps, 388 street lamps had been maintained within the area of authority.
- (b) The maintenance of the street lamps within the area of authority of the Sabha had not been carried out in accordance with paragraph 1.4 of the Circular No.PE/01/01 dated 17 August 2010 of the Secretary to the Ministry of Power and Energy. Even though the consumption of the street lamps should be limited to 3 per cent of the household consumption and the general purpose retail consumption in the area in the installation of street lamps, the Sabha had not paid attention to that aspect.

3.3 Human Resources Management

Particulars of the staff of the Sabha as at 31 December 2013 are as follows.

<u>Category of Employees</u>	<u>Approved</u>	<u>Actual</u>	<u>Vacancies</u>	<u>Excess</u>
Senior	01	01		
Tertiary	02	01	01	
Secondary	17	16	01	
Primary	20	21		01
Other(Casual/Temporary/Contract basis)	-	03		03
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	40	39	02	04
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A sum of Rs.9,037,900 had been reimbursed by the Commissioner of Local Government in the year under review as salaries and a sum of Rs. 11,227,080 had been spent as allowances of the staff. As such, an additional expenditure of Rs. 2,189,180 had been incurred to the Sabha Fund in the year under review.

4. Accountability and Good Governance

4.1 Audit and Management Committees

The Sabha had not established Audit and Management Committees.

4.2 Procurement Plan

A Procurement Plan had not been prepared by the Sabha for the year under review in terms of 42(b) of Circular No. ජ.ප්‍ර.නි./ප්‍ර.වි.නි./ 18 of 25 January 2006.

5. Systems and Controls

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

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