

Pathadumbara Pradeshiya Sabha**Kandy District****1. Financial Statements****1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 28 March 2014 and the financial statements for the preceding year had been presented on 27 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 05 September 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that 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 Pathadumbara Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements**1.3.1. Un-reconciled Control Accounts**

The following matters are observed.

- (a) The balance in the general stores control account as at 31 December 2013 had been Rs.483,572, whilst the balance according to the relevant schedules had been Rs.456,602. Therefore a difference of Rs.26,970 existed.
- (b) The balance of the water charges in arrears account as at 31 December 2013 amounted to Rs.298,016 as per control account, whilst the balance according to the relevant schedule amounted to Rs.407,320. Therefore a difference of Rs.109,304 existed.

1.3.2. Accounts Receivable and Payable

a) Accounts Receivable

The value of total balances of accounts receivable as at 31 December 2013 amounted to Rs.32,177,598 and out of this, the total account balances exceeding 1 year, amounted to Rs.411,097.

b) Accounts Payable

The total value of 04 balances of accounts payable for over a period of 01 year, as at 31 December 2013, amounted to Rs.750,294.

1.3.3. Lack of Evidence for Audit

Sundry deposits totalling Rs.892,664 could not be examined satisfactorily during the audit, due to non-submission of required information to the audit.

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.13,881,271 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,530,468 for the preceding year. Therefore the financial result had been improved by Rs.6,350,803.

2.2. Analytical Financial Review

The following matters are observed.

- (a) It was observed that the surplus for the year under review had been increased by Rs.24,255,273 as compared with the surplus for the preceding year. The causes for this had been the increase in income in the range of 07% to 60% with respect to 06 items of income, and the decrease in expenditure in the range of 26% to 87% with respect to 04 items of expenditure in the year 2013.

(b) Though a sum of Rs.15,605,244 had been received as salary reimbursement for the year under review, Rs.19,366,815 had been paid as salaries and allowances. Therefore a sum of Rs.3,761,571 had been spent from the income of the Sabha, to pay the salaries of the employees of the Sabha. It was observed that the amount was 13% of the recurrent revenue of the Sabha.

2.3. Working Capital Management

The ratio between total current assets and current liabilities was 1.69:1, whilst it was observed that the ratio of 1.05:1, in the preceding year was not in a superior level. Further, 59% of the total current assets amounting to Rs.34 million represent works and sundry debtors, whilst 70% of total current liabilities amounting to Rs.24 million represent works and sundry creditors.

2.4. Revenue Administration

2.4.1. Stall Rentals

The stall rental income in arrears at the end of the year under review amounted to Rs.427,292. The stall rent in arrears in respect of stall number 10 in the Madawala Trade Complex, amounted to Rs.33,000, and this had not been recovered for a period of about 04 years. .

2.4.2. Court Fines and Stamp Fees

The court fines amounting to Rs.119,167 and stamp fees amounting to Rs.1,418,480 had been receivable as at 31 December 2013, from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1. Management Inefficiencies

The following matters are observed.

(a) The Sabha had incurred expenses of Rs.867,300 from Sabha funds, as at the date of audit examination carried out on 31 January 2014, in respect of 24 court cases of the Sabha,. Out of these court cases, 13 cases had not been settled even over a period of 05 years.

- (b) The employees' loans amounting to Rs.33,886 due from the officers retired in the year 2007, had not been recovered as at the date of audit examination carried out on 18 August 2014.

3.2. Idle and Underutilized Assets

05 stalls in the Madawala Trade Complex had been kept closed since the year 2011, whilst a tractor and a trailer valued at Rs.600,000 had been idling since the year 2012.

4. Accountability and Good Governance

Budgetary Control

The following matters are observed.

- (a) Variances in the range of 12% to 46% with respect to 05 items of income, and variances in the range of 17% to 73% with respect to 06 items of expenditure were observed, between the estimated revenue and expenditure of the budget prepared for the year under review, and the actual revenue and expenditure. Therefore the budget had not been used as an effective tool of control.
- (b) The budgeted income with respect to 03 sub items in 02 revenue heads had been Rs.155,500 and the relevant percentage in revenue collection was 0%.

5. Systems and Controls

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

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