

Padavisiripura Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 05 May 2011 and the financial statements for the preceding year had been presented for audit on 24 February 2010.

1.2 Opinion

So far as appears from my examination and to the best of my information and according to the explanations given to me, I am of opinion that, the Padavisiripura Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects 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 the Generally Accepted Accounting Principles give a true and fair view of the state of affairs of the Padavisiripura Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Provision for depreciation of fixed assets had not been made from the inception of the Sabha up to the year under review.
- (b) The value of fixed assets amounting to Rs.11,758,210 at the end of the year under review had been shown in the Balance Sheet at book value. These assets had not been physically verified during the year.
- (c) Capital expenditure on Well, Water Supply and Electricity Supply Project aggregating Rs.5,998,381 had been erroneously debited to the assets account.

1.3.2 Accounts Payable

Balances of accounts payable for over a period of 01 year as at 31 December 2010 amounted to Rs.597,772.

1.3.3 Lack of Evidence for Audit

(a) Un – replied Audit Queries

Replies for 04 audit queries had not been furnished as at 31 December 2010, while the quantifiable value of transactions referred to in those audit queries amounted to Rs.167,637.

1.3.4 Non - compliance

The following non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions.

Non - compliance

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| (a) Financial Regulation 1646 | Action had not been taken to furnish Daily Running Charts of vehicles to the Auditor General. |
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| (b) <u>Pradeshiya Sabha (Financial & Administrative) Rules of 1988)</u> | |
| (i) Section 16 (1) of Part II | The Pradeshiya Sabha had not maintained a register of movable and immovable properties. |
| (ii) Section 5 (xi) of Chapter I | Insurance coverage had not been obtained in relation to cash, stores, etc. |
| (iii) Section 5 (xii) of Chapter I | Adequate security deposits had not been obtained from officers who were entrusted with custody of cash, stores, etc. |
| (iv) Section 204 of Chapter XII | The stamps and stationery had not been verified by a Board of Survey at the end of the year. |

- (v) Section 217 of Chapter XII A register of Land and Buildings had not been maintained.
- (c) Procurement Guidelines Goods costing Rs.367,575 had been purchased in 04 instances without calling for quotations in terms of provisions in Paragraph 3.4.4 of the Procurement Guidelines.
- (d)
- i) Inland Revenue Act No. 10 of 2006 Withholding Tax totalling Rs.42,602 had not been recovered from payments for construction works and goods purchased contrary to Section 153 of the Inland Revenue Act No. 10 of 2006 and the letter of the Commissioner of Inland Revenue dated 12 October 2006.
- ii) Inland Revenue letter No. 1582/35 of 2009 Value Added Tax totalling Rs.9,534 had not been recovered from the payments made for construction of works and goods purchased contrary to Section 26 of the Inland Revenue letter No. 1582/35 of the Commissioner of Inland Revenue dated 01 January 2009

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Pradeshiya Sabha amounted to Rs.1,084,191 for the year ended 31 December 2010 as against the excess of revenue over recurrent expenditure amounting to Rs.231,368 of the preceding year.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

The information with regard to the estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year, as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>
			<u>arrears as at</u>			<u>arrears as at</u>
			<u>31 December</u>			<u>31 December</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>
Rates and Taxes	640	699	-	1,011	414	-
Lease Rent	310	448	72	278	130	342
Licence Fees	203	182	55	180	142	61
Other Revenues	2,245	1,937	406	7,015	5,292	1,009

2.2.2 Court Fines

Action had not been taken to recover court fines amounting to Rs.222,917 collected and remitted to Chief Secretary / Provincial Commissioner of Revenue up to 31 December 2010 by the Trincomalee Magistrate's Court under various Ordinances. Court fines receivable by the Sabha had not been computed and accounted for.

2.3 Expenditure Structure

The budgeted and actual expenditure and the variances of the Sabha for the year under review and the preceding year are given below.

<u>Item of Expenditure</u>	<u>2010</u>			<u>2009</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>
<u>Recurrent Expenditure</u>						
Personal Emoluments	5,747	4,339	1,407	4,492	3,941	951
Other	<u>6,726</u>	<u>1,777</u>	<u>4,949</u>	<u>2,051</u>	<u>1,391</u>	<u>660</u>
Sub Total	12,473	6,116	6,356	6,543	5,332	1,611
Capital Expenditure	20	6,745	(6,725)	529	1,426	(897)
Grand Total	<u>12,493</u>	<u>12,861</u>	<u>(369)</u>	<u>7,072</u>	<u>6,758</u>	<u>714</u>

2.4 Human Resources Management

2.4.1 Approved and Actual Cadre

Particulars of the approved and actual cadre of the Sabha as at 31 December 2010 are given below.

<u>Category of Post</u>	<u>Approved</u>	<u>Actual</u>	<u>Shortage/ Excess</u>
Staff Grade	01	-	01
Secondary Grade	07	05	02
Primary Grade	12	11	01
Total	<u>20</u>	<u>16</u>	<u>04</u>

2.5 Assets Management

2.5.1 Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs.185,654 while the balances of accounts over a period of 01 year amounted to Rs.160,654.

2.5.2 Staff Loans Recoverable

Staff Loan balances recoverable as at 31 December 2010 totalled Rs.1,524,000 while the balances remaining outstanding for over a period of one year amounted to Rs.764,365.

2.6 Internal Audit

An Internal audit had not been carried out at the Sabha.

3. Systems and Controls

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

- Accounting
- Budgetary Control
- Revenue Administration
- Control over Fixed Assets
- Advances
- Staff Loan