

Porathivu Pattu Pradeshiya Sabha
Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements:

The financial statements for the year under review had been presented on 21 April 2011 and the financial statements for the preceding year had been presented for audit on 22 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 Porathivu Pattu 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 Porathivu Pattu 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 Non-compliances

The following non-compliances with Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non-Compliance
-----	-----
a) Financial Regulations No. 137 & 138	A sum of Rs.3,574 had been paid for various purposes without being certified by a responsible officer.
b) Eastern Provincial Financial Rule No. 73	Action had not been taken to write off assets amounting to Rs. 2,525,601 destroyed due to civil war.
No. 273	Action had not been taken on unrealized cheques amounting to Rs.14,996, exceeding 06 months.
c) Special Gazette Notification, North-East Province Rule 3(1)	A sum of Rs. 10,000 had been paid to the members of the Sabha who had not attended

meeting of the Sabha.

- d) Inland Revenue Act No. 10 of 2006 Section 153. Withholding Tax of 5% amounting to Rs.6,774 had not been deducted from payments.
- e) Stamp Duty Act No. 12 of 2006 A sum of Rs. 325 had not been deducted from remunerations.
- f) Director of Health Services Circulars No.1769 dated 1992 September 30 Drawing fees amounting to Rs. 63,801 had been paid to Public Health Inspectors contrary to the circular
- g) Procurement Guideline No. 3.9.1 Civil work valued at Rs.2,500,000 had been awarded contrary to the procurement guideline.

2. Financial and Operating review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure exceeding the revenue of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs 4,283,242 as compared with the recurrent expenditure exceeding the revenue of the preceding year amounting to Rs 3,779,358.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The position with regard to the revenue, actual receipts 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>Estimated</u>	<u>2010</u>		<u>Accumulated Arrears as at 31 December</u>	<u>2009</u>		<u>Accumulated Arrears as at 31 December</u>
		<u>Estimated</u>	<u>Actual</u>		<u>Estimated</u>	<u>Actual</u>	
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rate and Taxes	--	--	31	--	--	--	--
(ii) Lease Rents	486	508	--	203	185	--	42
(iii) License Fees	190	190	--	1,374	1,374	--	-
(iv) Other Revenues	1,141	1,637	--	2,981	2,485	--	515

2.3 Expenditure Structure

The estimated and the 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>Estimated</u>	<u>Actual</u>	<u>Variance</u>	<u>Estimated</u>	<u>Actual</u>	<u>Variance</u>
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Recurrent Expenditure						
Personal Emoluments	9,275	8,262	1,013	8,158	7,698	460
Other	<u>2,124</u>	<u>5,337</u>	<u>(3,213)</u>	<u>2,251</u>	<u>8,250</u>	<u>(5,999)</u>
Sub- total	11,399	13,599	(2,200)	10,409	15,948	(5,539)
Capital Expenditure	<u>2,250</u>	<u>17,796</u>	<u>(15,546)</u>	<u>2,300</u>	<u>15,577</u>	<u>(13,277)</u>
Grand total	<u>13,649</u>	<u>31,395</u>	<u>(17,746)</u>	<u>12,709</u>	<u>31,525</u>	<u>(18,816)</u>

2.4 Human Resources Management.

Approved and Actual Cadre

Particulars of the approved and actual cadre of the Sabha are given below.

<u>Category of Posts</u>	<u>As at 31December 2010</u>	
	<u>Approved</u>	<u>Actual</u>
Staff Grades	01	01
Secondary Grades	15	12
Primary Grades	19	19
Others (Casual/ Temporary)	--	10
	-----	-----
	35	42
	====	====

2.5 Assets Management

2.5.1 Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs1,366,739.

2.5.2 Staff Loans Recoverable

Balances of staff loans recoverable for over 3 years as at 31 December 2010 aggregated Rs.486,297.

2.5.3 Assets not verified

The value of the assets computed on book balances as at 31 December 2010 and not supported by physical verifications / board of survey reports amounted to Rs 51,229,937

2.6 Management Inefficiencies

Action had not been taken in respect of fraudulent withdrawal of cash amounting to Rs. 162,518

2.7 Internal Audit

An adequate internal audit had not been carried out at the Sabha.

3. Systems and Control

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

- (a) Internal audit
- (b) Revenue administration