

Muthur 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 27 July 2011 and the financial statements for the preceding year had been presented for audit on 25 October 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 Muthur 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 Muthur 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 audit fees had not been made in the accounts in terms of Section 172(2) of the Pradeshiya Sabha Act.
- (b) Provision for replacement of fixed assets valued at Rs.29,146,308 had not been made in the accounts.
- (c) Value of items such as vehicle, tractor-trailer, water pump, two wheeled tractors, furniture and office equipment donated by various parties had not been ascertained and brought to the account.

1.3.2 Accounts Payable

Balances of accounts payable for over a period of 1 year as at 31 December 2010 amounted to Rs.1,450,986.

1.3.3 Bank Accounts

Information revealed in the analysis of adjustments shown in the Bank Reconciliation Statements appear in the following statements.

Age Analyses

<u>Particulars</u>	<u>No .of Instances</u>	<u>Age Analyses</u>			<u>Total Rs.</u>
		<u>Over 6 Months and less than 12 Months Rs.</u>	<u>1 – 3 Years Rs.</u>	<u>Over 3 years Rs.</u>	
1. Unrealized deposits	01			400	400
2. Cheques issued, but not presented for payments	42	6,150	166,718	126,267	299,135
		<u>6,150</u>	<u>166,718</u>	<u>126,667</u>	<u>299,535</u>

1.3.4 Suspense Accounts

Credit balances amounting to Rs.16,574 had been included in the accounts of a suspense nature as at 31 December 2010.

1.3.5 Lack of Evidence for Audit**(a) Un – replied Audit Queries**

Replies for 96 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.2,247,197.

(b) Non – rendition of Information for Audit

Transactions valued at Rs.778,780 could not be satisfactorily vouched in audit due to non-availability of information required in audit.

1.3.6 Non - compliance

The following non-compliance with Laws, Rules, Regulations and Management Decisions were observed during the course of audit.

Reference to Laws, Rules, etc.**Non-compliance****(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1989****(i) Part II Section 16 (1)**

The Pradeshiya Sabha had not maintained a register of movable and immovable properties.

- (ii) Chapter I Section 5 (xi) Insurance coverage had not been obtained in relation to cash, stores, etc.
- (iii) Chapter I Section 5 (xii) Adequate security deposits had not been obtained from officers who were entrusted with custody of cash, stores, etc.
- (iv) Chapter VII Section 10 (159) Monthly revenue statements had not been presented for audit.
- (v) Chapter VII Section 4 (153) Arrears of Revenue statements had not been presented for audit.
- (vi) Chapter VIII (3) The works and services of the Sabha had been executed without public competition

(b) Provincial Council Financial Rules

- (i) Rule No. 345 Action had not been taken with regard to unrepresented cheques amounting Rs.302,102
- (c) Financial Regulation 1645 Vehicle running charts had not been furnished to audit.
- (d) Inland Revenue Act No.10 of 2006 Withholding Tax amounting to Rs.5,200 had not been recovered from Institutions.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs.2,887,356 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.860,579.

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>Estimated</u>	<u>2010</u>	<u>Accumulated</u>	<u>Estimated</u>	<u>2009</u>	<u>Accumulated</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>
i) Rates and taxes	565	613	3,329	565	305	5,126
ii) Lease rent	5,900	4,202	5,217	2,560	4,072	4,373
iii) Licence fees	500	381	81	460	584	163
iv) Others	22,540	22,030	--	3,303	367	--

2.2.2 Court Fines

The court fines recoverable from the Magistrate's Court under various Ordinances indicated in Schedule I in conjunction with Provisions in Section 129 (2) (a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been billed to Magistrate's Courts by the Sabha for the year under various Ordinances. Court fines receivable by the Sabha had not been computed and accounted for.

2.2.3 Stamp Fees

Stamp fees recoverable from the Registrar General 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>Budgeted</u>	<u>2010</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2009</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	22,223	21,106	1,117	20,874	19,587	1,287
Other	4,799	3,171	1,628	4,204	2,844	1,360
Sub Total	27,022	24,277	2,745	25,078	22,431	2,647
Capital Expenditure	2,475	3,053	(578)	4,878	4,878	-
Grand Total	29,497	27,330	2,167	29,956	27,309	2,647

2.4 Surcharges

The value of surcharges imposed by me in terms of Section 172(3) of the Pradeshiya Sabha Act No 15 of 1987 against the persons who are liable amounted to Rs.15,276 as at 31 December 2010.

2.5 Human Resources Management

2.5.1 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	25	19	06
Primary Grade	55	55	-
Other (Casual / Temporary)	-	25	(25)
Total	<u>81</u>	<u>99</u>	<u>(18)</u>

2.6 Assets Management

2.6.1 Idle and Underutilized Physical Resources

Particulars in respect of idle and underutilized physical resources revealed at audit test checks are given below.

<u>Item</u>	<u>No. of Items</u>	<u>Amount Rs</u>
(a) Chairs	79	} Not available
(b) Photocopy Machine Cannon 2010J	01	
(c) Photocopy Machine Cannon – NP -1225	01	
(d) Roneo Machine HRO	01	
(e) Air Conditioner - LG	01	
(f) Colour Printer Nippan	01	
(g) Executive Chair	01	
(h) Cushion Chairs	59	

2.6.2 Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs.891,303.

2.6.3 Staff Loans Recoverable

Balances of staff loans recoverable as at 31 December 2010 totalled Rs.5,209,413 while the balances remaining outstanding for over a period of 01 year amounted to Rs.930,263.

2.6.4 Non- moving Current Assets

Non – moving current assets remaining for over a period of 01 year as at 31 December 2010 were valued at Rs.48,587

2.6.5 Assets not Verified

The value of assets computed on book balances as at 31 December 2010 and not supported by physical verifications / board of survey reports amounted to Rs.4,443,627.

2.7 Vehicle Utilization

The following deficiencies were observed.

- (a) Vehicle log books had not been properly maintained.
- (b) The distance travelled and purpose of each trip had not been shown in the daily running charts.

2.8 Identified Losses and Damages

According to the information maintained by the Sabha and test checks carried out in audit the losses and damages amounted to Rs.3,674,902.

2.9 Internal Audit

An adequate 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.

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary Control
- (d) Control over Fixed Assets