

## **Aranayake Pradeshiya Sabha**

### **Kegalle District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements relating to the year under review had been presented on 05 April 2011 while financial statements of the preceding year had been presented for audit on 31 March 2010.

##### **1.2 Opinion**

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

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

- (a) When accounting for Court Fines arrears of revenue at the beginning of the year, arrears of Rs. 218,000 relating to December 2009 had not been accounted. Accordingly, revenue on account of Court Fines had been understated in a similar sum.
- (b) Arrears of stamp Fees Rs. 444,596 relating to years 2006, 2007 and 2008 had not been accounted.
- (c) When accounting for the value of library books under fixed assets, value of books amounting to Rs. 3,683 obtained on account of discount had not been accounted. Similarly, value of books so obtained for discount in the previous year too had not been accounted.

- (d) Value of Land and Buildings amounting to Rs. 41,000 included in the Register of Fixed Assets had not been accounted and due to that, those assets had been understated in a similar sum of Rs. 41,000.
- (e) Value of .06 items of Fixed Assets- Machinery and Equipment amounting to Rs. 390,920 had not been accounted under Fixed Assets and due to that , those assets had been understated in a similar sum
- (f) Value of 06 lands and 05 buildings shown in the Register of Fixed Assets and value of steam engine and generator included in the inventory register had not been assessed and accounted. Due to that, value of Fixed Assets had been understated.

#### 1.3.2 **Un reconciled Control Accounts**

While the total of Control Account balances relating to 07 items of accounts amounted to Rs.17,143,545 the total of balances of those accounts according to subsidiary registers/records amounted to Rs. 14,919,461.

#### 1.3.3 **Suspense Accounts**

The total of Suspense Account credit balances as at 31 December 2010 amounted to Rs. 672,333.

#### 1.3.4 **Accounts Payable**

Value of deposits payable over 01 year as at 31 December 2010 amounted to Rs.583,380.

#### 1.3.5 **Lack of evidence for audit**

##### **Non-rendition of information to audit**

Transactions totalling to Rs.150,000 could not be satisfactorily vouched in audit due to non- rendition of required information.

#### 1.3.6 **Non-compliances**

Following Instances of noncompliance with laws, rules, regulations and management decisions were observed in audit.

<b>Reference to laws, rules regulations and management decision</b> -----	<b>Non-compliance</b> -----
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 49	Unauthorised constructions erected in the area of Authority contrary to the laid down provisions had not been properly dealt with.
(b) Employees’ Trust Fund Act No. 46 of 1980.	Although the employer should pay a sum equivalent to 3% of the salary to the Employees’ Trust Fund as contribution on be half of the employees, action had not been taken to pay a sum of Rs. 67,615 on behalf of 08 employees.
(c) Financial Regulations__of the Democratic Socialist Republic of Sri Lanka	
(i) F.R. 105(1)(c)	It has been stipulated that the replacement cost and 25% thereof should be recovered, when recoveries are made on account of a loss occurred to a government own property. However, recoveries had not been made in such manner for shortages of library books.
(ii)F.R.371(2)(b)	Although a sub imprest given should be settled Immediately after finalising the relevant job, action had not been taken to settle the advance of Rs. 10,000 obtained by the Chairman on 02 December 2010 for a foreign tour.
(d) Circular No. PPA/6/1/1 dated 31 December 1993 of the office of the Secretary to the President.	i. Although a report relating to the tour should be prepared and submitted to the officer who approved the foreign trip, within 07 days from the date of return to the Island by an officer of the government, such reports had not been furnished with regard to the tour in India in December 2008 made by the Chairman and two members and also a tour in Thailand in February

2010, made by the Chairman.

ii. Although it has been stipulated that some benefit should accrue to the country from all foreign tours made by individuals linked to the government, it was not confirmed that such benefit has been accrued from the foreign tours referred to above.

- (e) Circular No. 02/99 dated 09 November 1999 of the Secretary to the Ministry of Environment, Youth affairs, Sports and Tourism of the Sabaragamuwa Provincial Council

Although it had been informed that the employees engaged on the basis of casual or substitute can not be considered as employees belong to Provincial Government, Service, and that action should be taken to pay contributions to the Employees' Provident Fund for those employees, such payments had not been made and due to that, arrears contributions payable for the years 2007,2008 and 2009 amounted to Rs. 450,756.

## 2. **Financial and Operating Review**

### 2.1 **Financial Results**

According to the financial statements rendered, excess of revenue over recurrent expenditure for the year ended 31 December 2010 of the Sabha amounted to Rs.5,958,048, while the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 3,993,755.

### 2.2 **Revenue Administration**

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

Information relating to estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year as furnished by the Chairman is given below.

<u>Items 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 31</u>
			<u>31 December</u>			<u>December</u>
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
	‘000	‘000	‘000	‘000	‘000	‘000
i. Rates and Taxes	479	300	580	484	370	527
ii. Lease Rent	2,236	2,167	161	1,903	1,875	170
iii. License Fees	439	439	06	406	406	06
iv. Other Revenues	17,646	13,104	8,272	17,642	13,308	5,293

#### 2.2.2 Court Fines

Fines amounting to Rs. 3,394,300 recovered under various Ordinances and remitted up to 31 December 2010 to the Chief Secretary by a Magistrate Court were due to the Sabha.

#### 2.2.3 Stamp Fees

Stamp fees amounting to Rs. 9,201,959, were due from the Registrar General as at 31 December 2010.

#### 2.2.4 Rates

The balance of arrears rates relating to prior years as at 31 October 2010 amounted to Rs. 413,667. action had not been taken to recover these arrears by restrain the properties In terms of Sections 158 and 166 of provisions in the Pradeshiya Sabha Act No 15, 1987

#### 2.2.5 Lease of Trade Stalls in the Public Market

Form of Agreement introduced by the Sabaragamuwa Provincial Council had not been used for lease agreements of the trade stall in the public market. It was observed that the

chance of recovering the 10% surcharge on delays in paying monthly lease rent provided in the new agreement had been avoided due to that.

2.3 **Expenditure Structure**

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

<b><u>Item of Expenditure</u></b>	<b>2010</b>			<b>2009</b>		
	<b><u>Budgeted</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>	<b><u>Budgeted</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>	<b><u>Rs</u></b>
	‘000	‘000	‘000	‘000	‘000	‘000
<b><u>Recurrent Expenditure</u></b>						
Personal Emoluments	16,718	15,459	1,259	15,398	13,991	1,407
Other	<u>4,195</u>	<u>4,544</u>	<u>(349)</u>	<u>4,979</u>	<u>5,082</u>	<u>(103)</u>
Sub Total	20,913	20,003	910	20,377	19,073	1,304
Capital Expenditure	<u>2,852</u>	<u>13,568</u>	<u>(10,716)</u>	<u>1,652</u>	<u>6,759</u>	<u>(5,107)</u>
Grand Total	23,765	33,571	(9,806)	22,029	25,832	(3,803)
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2.4 **Human Resources Management**

**Approved and Actual Cadre**

Information relating to approved and actual cadre of the Sabha as at 31 December 2010 is given below.

<b>Grade of Employee</b>	<b>Approved</b>	<b>Actual</b>
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Staff	03	02
Secondary	18	20
Preliminary	34	23
Others (Casual, Temporary)	==	<u>11</u>
	55	56

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2.5 **Assets Management**

2.5.1 **Idle Physical Resources.**

It was revealed at an audit sample check that a tractor valued at Rs. 346,877 had been kept idle.

2.5.2 **Accounts Receivable**

While the total of Accounts Receivable balances as at 31 December 2010 amounted to Rs. 681,342, total of balances due for more than one year amounted to Rs.97,359.

2.5.3 **Outstanding Staff Loans**

The total of outstanding balances of staff loans and advances as at 31 December 2010 amounted to Rs. 3,763,399.

2.5.4 **Non-moving Current Assets**

Cash balances that had not been moving for more than one year and kept idle as at 31 December 2010 amounted to Rs. 10,140

2.5.5 **Assets Not Verified**

Value of assets not confirmed through board of survey reports and accounted on book values as at 31 December 2010 amounted to Rs. 140,500.

2.5.6 **Vehicle Utilisation**

Although fuel valued at Rs. 307,005 had been utilised during the period from year 2007 to November 2010 for the tractor No. 49/3365, Milo Meter of the vehicle had been out of order. Running charts of the vehicle were not furnished to audit and it was not possible to confirm in audit that the vehicle had been fully utilised for the official duties of the Sabha.

2.6 **Identified Losses and Damages**

According to audit test checks and information available in the Sabha, losses and damages amounting to Rs. 24,794 were revealed.

2.7 **Activities not Falling within the Objectives.**

Out of the financial grants provided vide Letter No. ACLG/01 Budget dated 02 September 2009, by the Commissioner of Local Government a sum of Rs. 380,680 had been utilised for other works instead of utilising for accepted works.

2.8 **Operational Inefficiencies**

Following observations are made.

- (a) Register of Fixed Assets was not in the custody of a responsible officer.
  
- (b) Action had not been taken to remove unauthorised houses and business centres constructed in the Sabha premises and unauthorised buildings put up in certain lands belong to the Sabha.

03 **Systems and Controls**

Special attention is drawn to following areas of systems and controls.

- (a) Accounting.
- (b) Assets Management
- (c) Stores Control