

Navidanveli Pradeshiya Sabha

Ampara District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 22 June 2011 and the financial statements for the preceding year had been presented on 31 August 2010. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 21 December 2011.

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 opinion that the Navidanveli 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 my report forwarded to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Navidanveli Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Policies

The following observations are made.

- (a) The financial statements had not been prepared on accrual basis.
- (b) Provision had not been made for replacement of fixed assets.

1:3:2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a). Provision for audit fees had not been made in the financial statements in terms of Section 172(2) of the Pradeshiya Sabha Act, No. 15 of 1987.
- (b). Goods and Services Tax amounting to Rs.899,420 had been shown in the non refundable deposits account without being remitted to the Department of Inland Revenue.
- (c). A sum of Rs.112,790 had been retained in the Lapsed Deposit Account of the Sabha without being credited to revenue.

1:3:3 Non-compliance

Non compliances with laws, rules, regulations and management decisions observed in audit are as follows.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
(a) Pradeshiya Sabha (Finance and Administration) Rules 1988 -----	
Rule 180	Officers handling cash and stores had not furnished security deposits.
Rule 217	The Sabha had not maintained a register of fixed assets in terms of P.S. 46.
Rule 218	Land and buildings had not been verified by a competent officer.

(b) Financial Regulations of the
Democratic Socialist Republic
of Sri Lanka

F.R. 396

Ten uncashed cheques valued at Rs.500 had not
been credited to Revenue of the Sabha.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of recurrent
expenditure over revenue of the Sabha as at 31 December 2010 amounted to
Rs.5,984,613 as against the excess of revenue over recurrent expenditure
amounting to Rs.1,482,659 for the preceding year.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The estimated revenue, actual revenue and the arrears of revenue of the Sabha for
the year under review, as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
i. Rates and Taxes	05	--	--
ii. Lease Rent	1,435	1,239	3,349
iii. Licence Fees	165	126	3
iv. Other Revenue	400	893	--

2:2:2 Court Fines

Action had not been taken to recover court fines amounting to Rs.86,500 recovered by the Sammanthurai Magistrate's Court as at 31 December 2010 and remitted to the Provincial Commissioner of Revenue.

2:2:3 Stamp Fees

The stamp fees recoverable from the Registrar General as at 31 December 2010 had not been computed and accounted for.

2:2:4 Revenue Debtors

The Sabha had not taken action to recover Rs.2,288,105 from revenue debtors.

The sum of Rs.15,055 obtained by the Department of Survey during the financial year had not been settled to date.

2:3 Expenditure Structure

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

Item of Expenditure	Budgeted	Actual	Variance
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	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent Expenditure</u>			
Personal Emoluments	6,261	7,097	(836)
Others	2,481	8,668	(6,187)
Sub-total	8,742	15,765	(7,023)
Capital Expenditure	5,050	7,342	(2,292)
Grand Total	13,792	23,107	(9,315)
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2:4 Human Resources Management

Approved and Actual Cadre

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

<u>Category of posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	01	--
Secondary Grade	08	12
Primary Grade	10	09
Others	--	--
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	<u>19</u>	<u>21</u>

2:5 Assets Management

(a) The Moto Pump Lifan (802BO-4-80) given by the Sabha to the Vice Chairman on 2 January 2009 had not been returned up to now. Its present value is Rs.67,500.

(b) The accounts receivable as at 31 December 2010 was Rs.352,015. The entire balance was outstanding for over one year.

(c) Employees' loan recoverable as at 31 December 2010 was Rs.2,033,090. The balances outstanding over 2 years aggregated Rs.38,584.

2:6 Internal Audit

Adequate internal audit had not been carried out at the Institution.

3. Systems and Controls

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

- (a) Accounting
- (b) Control Over Fixed Assets
- (b) Revenue Administration