

Palagala Pradeshiya Sabha  
Anuradhapura District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial statements of the year under review and the preceding year had been presented to audit on 20 May 2011 and 01 April 2010 respectively.

1.2 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the PalagalaPradeshiyaSabha for the year ended 31 December 2010 Presented to audit.

1.3 Comments an Financial Statements

1.3.1 Accounting Deficiencies

A summary of accounting deficiencies existed in the financial statements and the effects on the financial statements thereon is given below.

Nature of Deficiency	No. of Items	Effects on the Financial Statements			
		Income	Expenditure	Assets	Liabilities
		Rs.'000	Rs.'000	Rs.000	Rs.'000
(a) Understatements in the financial statements	01	302	-	-	-
(b) Omission from financial statements	16	-	-	1,600	-
(c) Inappropriate disclosers in the financial statements	07	3,939	-	-	-
- do -	07	-	3,939	-	-
- do -	06	-	-	2,939	-
- do -	07	-	-	-	2,969

1.3.2 Accounts Payable  
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The value of account payable balances which remained outstanding for more than 01 year as at 31 December 2010 amounted to Rs.331,984.

1.3.3 Lack of Evidence for Audit  
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Ten items of accounts totalling Rs.14,973,370 could not be satisfactorily vouched/verified in audit due to non- rendition of required information for audit.

1.3.4 Non-compliance with Laws, Rules, Regulations  
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Non-compliances with the following laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules,  
Regulations etc.  
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Non-compliance  
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(a) Rules of the Pradeshiya Sabha –  
1998 (Financial and Administration)  
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Rule 207

In supplying materials and stores, supplies should be selected through open competitive method as much as possible, nevertheless, that requirement had not been complied with in respect of supplies valued at Rs.81,124 procured in 2 instances.

(b) Financial Regulations (F.R.) of  
the Democratic Socialist  
Republic of Sri Lanka  
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F.R. 237

A sum of Rs.193,890 had been paid to suppliers in 5 instances without obtaining when a stock certificate making payments to supply of stores.

F.R. 571

Construction deposits of Rs.36,015 made in the years 2006/2007 had not been taken to revenue.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the income over recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs.891,250 as compared with the income over recurrent expenditure for the preceding year amounting as to Rs.664,298.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Particulars of estimated revenue, actual revenue and arrears of revenue relating to the year under review and the preceding year presented by the Chairman are given below.

Item of Revenue	2010			2009		
	Estimated	Actual	Accumulated arrears as at 31 December	Estimated	Actual	Accumulated arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates & Taxes	290	287	-	-	-	-
Lease Rent	800	799	173	731	467	264
License Fees	50	54	-	316	316	-
Other Income	8,000	7,665	2,127	7,450	3,094	4,356

2.2.2 Court Fines

Fines amounting to Rs.281,450 recovered by a Magistrates Court up to 31 December 2010 under various Ordinances and remitted to the Chief Secretary were due to the Sabha.

2.2.3 Stamp Duty

Stamp fees of Rs.11,715 were receivable from the Registrar General as at 31 December 2010.

2.2.4 Rates

In terms of Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987, the areas for which the Sabha has provided facilities should be declared as developed areas. Rates on the annual value of immovable properties existed in these areas had not been imposed.

2.2.5 Trade Stall Lease Rent

In terms of the Circular No. NCP/LG/9/5/26 dated 20 October 1994 of the Commissioner of Local Government in leasing the trading rights of Sabha properties, the rent should be determined by adding 10% to the previous 3 years average income and the tenders for the ensuing year should be awarded on that basis. Nevertheless the leasing of trading rights in the year 2011 had been given to a value less than the minimum lease rent by Rs.177,536

2.3 Expenditure Structure

The budgeted expenditure and the actual expenditure of the year under review and the preceding year along with the relevant variances are given below.

Item of Expenditure	2010			2009		
	Estimated	Actual	Variance	Estimated	Actual	Variance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal Emoluments	4,500	4,482	18	5,920	3,164	2,756
Others	3,500	3,431	69	7,380	6,669	711
Sub Total	8,000	7,913	87	13,300	9,833	3,467
Capital Expenditure	40,000	42,350	(2,350)	20,000	21,196	(1,196)
Grand Total	48,000	50,263	2,263	33,300	31,029	2,271

2.4 Human Resource Management

Approved and Actual Cadre

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

Grade of employees	Approved	Actual
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Staff	01	-
Secondary	05	05
Primary	08	08
Others (Casual, temporary)	04	04
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Total	18	17
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2.5 Assets Management

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Idle Physical Resources  
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Equipment valued at Rs.556,865 had been given to the Sabha in the year 2007 by the North Central Chief Ministry to commence a project to popularize rice flour related bakery products. However such equipment had become idle as that project had not been commenced.

2.5.1 Outstanding Staff Loans

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Loans and advance balances receivable as at 31 December 2010 totalled Rs.1,498,488. The loan balance receivable from 6 employees who had vacated their posts/unable to find present details amounted to Rs.41,216 and action had not been taken to recover this balance in terms of Section 4.5 of Chapter xxiv of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

2.5.2 Unverified Assets

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The value of assets computed on book values as at 31 December 2010 and not confirmed by board of survey reports amounted to Rs.14,503,693.

2.6 Identified Losses and Damages

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According to the audit test check and the information available in the Sabha, losses and damages valued at Rs.10,780 were revealed.

2.7 Irregular Transactions

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In terms Provincial Council Circular No. NCP/PS/PT/04 dated 15 September 2003, payments to officers from the provision of administrative expenses can be made only on the basis of overtime, holiday pay and traveling etc. Nevertheless, in sum of Rs.25,322 had been paid to 4 officers by voucher No. 63 dated 02 February 2010 by that provision without following the above basis.

2.8 Operating Inefficiencies  
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Even though a sum of Rs.10,000 had been paid to the Sri Lanka Institute of Local Government by voucher No. 276 of 26 May 2010 to obtain a environmental map of the area of authority it had not been received by the Sabha even by 03 June 2011.

2.9 Performance  
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In terms of Section 3 of the PradeshiyaSabha Act No. 15 of 1987, a corporate plan comprising the activities to be performed in the future years relating to the health, roads and common utility services for the benefit and welfare of the people living in the area of authority of the PradeshiyaSabha and an action plan to perform the activities expected to be implemented during the year under review had not been prepared and implemented

2.10 Contract Administration  
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Constructions  
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Field inspection in respect of construction works revealed the following lapses.

- (a) Even though it was observed in the quality control reports of the Provincial Department of Engineering that the thickness of the gravel used for the reconstruction DambuluHalmillewa road from Mr. RanawaRohana's boutique by the PradeshiyaSabha was insufficient, a sum of Rs.1,726,378 had been paid to the contractor during the year under review irrespective of that report.
- (b) In terms of paragraph 56 of the ICTAD Series No. SCA/1 of the construction conditions guidelines the payment should be made only on the basis of measurement taken by measuring the works done and payments should not be made on the machine hour basis irrespective of this requirement, a sum of Rs.213,120 had been paid to a contractor during the year under review for 57.6 machine hours.

2.11 Internal Audit  
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An adequate internal audit had not been carried out in the Sabha.

03. Systems and Controls  
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Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management