

Padaviya Pradeshiya Sabha
Anuradhapura District

1. 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 29 March 2011 and 07 May 2010 respectively.

1.2 Opinion

In view of comments and observation appearing in this report, I am unable to express an opinion on the financial statements of the Padaviya Pradeshiya Sabha for the year ended 31 December 2010 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

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

Nature of Deficiency	No. of Items	Effects on Financial Statements			
		Income	Expenditure	Assets	Liabilities
-----	-----	-----	-----	-----	-----
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
(a) Overstatements in the Financial Statements	} 01	37	-	-	-
	} 01	-	37	-	-
(b) Understatements in the Financial Statements	} 04	-	164	-	-
(c) Omissions form Financial Statements	} 05	-	-	2",754	-
(d) Inappropriate Disclosures in the Financial Statements	01	612	-	-	-
- do -	02	-	-	37	-
- do -	01	-	-	-	1056

1.3.2 Unreconciled Accounts

According to the accounts relating to 02 items of accounts the total of such balances amounted to Rs.6,280,155 whereas according to the subsidiary books / records the total of such balances amounted to Rs.7,363,030.

1.3.3 Unexplained Differences

According to the main ledger the balances of the street lamp stock account as at 31 December 2010 amounted to Rs.156,286 whereas it was shown in the balance sheet prepared as at that date as Rs.216,285. The reason for difference was not explained.

1.3.4 Suspense Accounts

The debit balances of suspense accounts as at 31 December 2010 totalled Rs.486,839.

1.3.5 Accounts Payable

The value of accounts payable balances remained for over 01 year as at 31 December 2010 amounted to Rs.113,088.

1.3.6 Lack of Evidence for Audit

Non-rendition of Information for Audit

Ten items of accounts totalling Rs.5,275,442 could not be satisfactorily vouched/verified in audit due to non-rendition of required information for audit.

1.3.7 Non-compliance

Non-compliances with the following laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules and Regulations etc.

Non-compliance

Pradeshiya Sabha Rules (Finance and Administration) of 1988

i. Rule No. 115

A certificate of acknowledgement of receipt of inventory goods should be attached to the payment vouchers but payment had been made in respect of purchase of goods valued at Rs.205,777 made during the year under review.

ii. Rule No. 163

A summery revenue register (P.S. 19) had not been prepared for the computation of the revenue of the year.

1.3.8 Fictitious Assets

Even though the balance of general stores had been shown as Rs.42,782 as per financial statements as at the end of the year under review, it was revealed at the physical verification carried out on 05 August 2011 that there was not such a stock belonging to the sabha.

2. Financial and Operating Review

According to the financial statements presented, the recurrent expenditure over income of the Sabha for the year ended 31 December 2010 amounted to Rs.596,614 as compared with the recurrent expenditure over income for the preceding year amounting to Rs.62,472.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue.

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
(a) Rates and Taxes	225	124	-	173	173	-
(b) Lease Rent	595	612	-	627	627	-
(c) License Fees	360	388	02	373	373	02
(d) Other Income	1,843	1,833	-	5,089	4,367	712
Total	3,023	5,957	02	6,262	5,540	714

2.2.2 Courts Fines

Fines amounting to Rs.60,471 recovered by a Magistrate's Court under various Ordinances and remitted to the Chief Secretary were due to the Sabha as at 31 December 2010.

2.2.3 Rates

Action had not been taken to recover rates on the annual value of immovable properties existed within the area of authority of the Sabha being declared the developed areas within the area of Pradeshiya Sabha in terms of Section 134(1) of the Pradeshiya Sabha Act no 15 of 1987.

2.2.4 License Fees

Acton had not been taken to recover license fees since 2008 from 4 telephone towers set up within the area of authority of the Pradeshiya Sabha.

2.2.5 Other Income

Even though the water bowser belonging to the Pradeshiya Sabha is rented out by charging Rs.6,000 per day, any money whatsoever, had not been recovered in respect of 466 km rum during 22 days in a tank project during the year 2010. An adequate course of action had not been taken to recover the sum of Rs.132,000 due to the Sabha from this project.

2.2.6 Trade Stall Rent

In terms of Circular No NCP/KG/9/7/19 dated 04 August 1994 of the Commissiner of Local Government the monthly trade stall rent should be determined on the basis of a Chief Valuers assessment or an assessment of a Valuer of a Local Government Service and the assessment rent should revised at least once in 5 years. However the rent of the trade stalls belonging to the Sabha had remained unchanged for more than more then 9 years.

2.3 Expenditure Structure

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

Item of Expenditure	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Recurrent expenditure						
Personal Emoluments	5,300	5,288	12	4,500	4,096	404
Others	2,300	2,277	23	2,500	2,228	272
Sub Total	7,600	7,565	35	7,000	6,324	676
Capital Expenditure	-	17,625	(17,625)	-	4,838	(4,838)
Grand Total	7,600	25,190	(17,590)	7,000	11,162	(4,162)

2.4 Human Resource Management

Approved and Actual Cadre

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

Grade of Employees	Approved	Actual
-----	-----	-----
(a) Staff	02	01
(b) Secondary	07	04
(c) Primary	06	06
(d) Others (Casual/ Temporary)	--	04
Total	----- 15	----- 15
	=====	=====

2.5 Assets Management.

2.5.1 Idle Physical Resources

Even though equipment valued at Rs.814,000 had been given to the Sabha in the year 2007 by the Chief Ministry of the North Central Province to popularize and begin rice flour related bakery product project, such equipment had become idle as the relevant project had not been commenced .

2.5.2 Outstanding Staff Loans

The Outstanding Staff loan and advance balances as at 31 December 2010 to totalled Rs.686,828 out of which the account balances remained outstanding for more than 01 year to totalled Rs.5,475.

2.5.3 Unverified Assets

The value of assets computed on book values and not confirmed by board of survey Reports as at 31 December 2010 amounted to Rs.5,275,443.

2.6 Transactions not Supported by Adequate Authority

The approval of the minister had not been obtained in terms of Section 132(a) of the Pradeshiya Sabha Act No.15 of 1987.for the expenditure of Rs.104, 875 for donations in the year under review.

2.7 Performance

In terms of section 3 of the Pradeshiya Saba Act No.15 of 1987 a corporate plan, in comprising the activities to be performed in the future years relating to health, roads and common utility services, of the people living in the area of authority of the Pradeshiya Sabha and an action plan to perform the activities expected to be

implemented during the year under review had not been prepared and implemented.

2.8 Contract Administration

Delays in The Implementation Of Projects

(a). The following road development Projects, planned to be implemented under "Uthuru Wasanthaya Programme – 2009" had not been commenced even of the date of audit on 31 July 2011. The advances given to contract societies had been set off against the payments made to other works.

Name of Road -----	Estimated Amount ----- RS.	Advance paid ----- RS.
1. Up to studio at Bank Junction	1,496,496	200,000
2. Up to Pradeep Motors near Hospital	1,482,095	200,000
3. To pahala Ela from Pubudu Studio	593,838	119,000
4. To Mr. Susantha Silva's house from near Hospital.	1,482,096	200,000
5. Left area roadside draing from Parakumapura	593,833	118,000
6. To teacher trainning centre from near clock tower.	1,482,096	200,000
7. To clock tower near Pradeep Motors.	1,482,096	200,000
8. To culvert from subasiri Hotel .	1,482,096	200,000
9. By road turnings	1,251,343	200,000
	----- 11,345,989 =====	----- 1,637,000 =====

(b). An estimate for Rs.417,150 had been prepared for the construction of a pre – school in a land belonging to the 4th mile post sabha at Parakramapura under upliftment of bankwards local authorities. The provision of Rs.317,150 had been received therefore from the Ministry of Local Government and Provincial Councils and the balance of Rs.100,000 had to be incurred from the Pradeshiya Sabha Fund. A sum of Rs.240,477 had been paid to the contract society, Aruna Rural Samurdhi Balakaya by 08 march 2008 for this work. Although the work had to be completed by 20 May 2008 as per the agreement on 20 February 2008, the work had not been completed even by the date of audit on 31 July 2011.

2.9 Internal Audit

An adequate internal audit had not been carried out in the sabha.

3 Systems and Controls

Special attention is drawn in respect of the following areas of control.

- (a) Accounting.
- (b) Revenue Administration.
- (c) Assets Management.
- (d) Implementation of Projects .