

Pasgoda Pradeshiya Sabha

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Matara District  
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01. Financial Statements

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1:1 Presentation of Financial Statements  
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Financial statements for the year under review had been presented to audit on 14 October 2011 and the financial statements for the preceding year had been presented for the audit on 06 April 2011.

1:2 Opinion  
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In view of the comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Pasgoda Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1:3 Comment on Financial Statements  
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1:3:1 Accounting Deficiencies  
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The following deficiencies were observed.

- (a) The balance of Rs.947,500 disclosed in the financial statements under the prepayments had been posted in the ledger through Journal Entry No. 1 as advances.
- (b) The contribution payable to the Local Government Services Pension Fund as at the end of the year under review amounting to Rs.1,353,304 had not been disclosed in the financial statements.
- (c) The following differences were observed between in balance according to the main cash book (PS10) and the balance computed in audit calculating in receipts and payments of the main cash book.

Account Number	Balance computed in Audit	Balance according to the Main Cash Book	Difference
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	Rs.	Rs.	Rs.
394	(6,950)	46,332	39,382
403	(1,657,218)	726,850	(930,368)

- (d) The cash in hand as at the end of the year under review amounting to Rs.29,746 had been shown in the Bank Reconciliation Statement without being disclosed in the financial statements.

#### 1:3:2 Unidentified Accounts

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The following matters were observed.

- (a) A sum of Rs.92,810 had been shown continuously as deposits of the Sabha under the prepayments in the financial statements without being identified.
- (b) Debit entries and credit entries amounting to Rs.17,045 and Rs.48,240 respectively as at the end of the year under review in the Bank Accounts Nos. 403, 405, 642 and 394 had been shown in the Bank Reconciliation Statements without being adjusted.

#### 1:3:3 Unreconciled Control Accounts

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The balances of 06 items of account according to the financial statements totalled Rs.1,862,843 whereas according to the subsidiary registers, those balances totalled Rs.2,309,325. Thus a difference of Rs.446,482 was observed.

#### 1:3:4 Accounts Payable

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The balances of Accounts Payable older than one year as at 31 December 2010 amounted to Rs.25,691,632.

#### 1:3:5 Lack of Evidence for Audit

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Transactions totalling Rs.38,205,338 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

1:3:6 Non-compliance  
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Non-compliances with the provisions of the following laws, rules and regulations and the management decisions were observed during the course of audit.

Reference to Laws, Rules and Regulations etc.      Non-compliance  
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(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988  
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(i) Rule 163

The Summary of Annual Revenue (PS 19) had not been prepared.

(ii) Rules 180 – 184

The security obtained from the officers who perform duties relating to cash and stores had not been invested in a Bank.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  
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(i) Financial Regulation 485(4)

Action had not been taken to recover the staff loans amounting to Rs.20,143 recoverable from the officers transferred out from the respective institutions to which they were transferred to.

(ii) Financial Regulations 1645 – 1646

Even though the Daily Running Charts of motor vehicles should be duly completed and furnished along with the Monthly Performance Summaries to the Auditor General before 15<sup>th</sup> of the month following, it had not been so done in respect of 04 motor vehicles.

(c) Sections 4.4, 4.5 and 4.6 of Chapter xxiv of the Establishments Code

Action in terms of the provisions referred to had not been taken even during the year under review to recover the outstanding balance of staff loans amounting to Rs.9,663 due from a deceased officer.

(d) Treasury Circular  
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Circular No. 1A1/2002/02 dated 28 November 2002 of the Secretary to the Treasury.

A Register of Fixed Assets on the computer accessories and software had not been maintained.

2. Financial and Operating Review  
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2:1 Financial Result  
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According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.9,056,128 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.1,550,441.

2:2 Revenue Administration  
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2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue  
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Even though a request was made to the Chairman by my letter dated 03 March 2011 to furnish the information relating to the estimated revenue, the actual revenue and the arrears of revenue in respect of the year under review and the preceding year in a specified format, such information had not been furnished. Nevertheless, the position of arrears of revenue as at 31 December 2010 as compared with the preceding year as shown in the Statement of Arrears of Revenue furnished with the financial statements is given below.

Particulars -----	Arrears of Revenue -----		Increases of Percentage -----
	<u>2010</u> Rs.'000	<u>2009</u> Rs.'000	%
Acreage Tax	169	150	12.66
Other Revenue	32,228	11,955	169.58

2:2:2 Arrears of Taxes and Charges  
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Action in terms of the provisions in Section 158 and 159 of the Pradeshiya SABha Act, No. 15 of 1987 had not been taken for the recovery of the arrears of taxes and charges relating to the year under review and the preceding year amounting to Rs.168,575.

2:2:3 Courts Fines  
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Courts fines recovered under various Ordinances by 02 Magistrates' Courts amounting to Rs.650,009 up to 31 December 2010 and remitted to the Chief Secretary remained recoverable by the Sabha.

2:2:4 Stamp Fees  
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Stamp fees amounting to Rs.1,195,000 and Rs.92,855 remained receivable as at 31 December 2010 from the Registrar General and the Central Government respectively.

2:3 Expenditure Structure  
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The budgeted and the actual expenditure of the Sabha for the year under review and the preceding year together with the variance 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
<u>Recurrent Expenditure</u>						
Personal Emoluments	13,285	10,151	3,134	6,019	10,534	(4,515)
Others	8,260	5,538	2,722	2,538	5,418	(2,880)
Sub-total	21,545	15,689	5,856	8,557	15,952	(7,395)
Capital Expenditure	14,377	47,761	(33,384)	10,155	29,183	(19,028)
Grand Total	35,922	63,450	(27,528)	18,712	45,135	(26,423)

2:4 Human Resources Management  
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2:4:1 Approved and Actual Cadre  
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(a) Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

	<u>Grades of Employees</u>	<u>Approved</u>	<u>Actual</u>
(i)	Staff Grades	03	02
(ii)	Secondary Grades	13	10
(iii)	Primary Grades	21	19
(iv)	Others (Casual, Temporary)	--	17
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		37	48
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- (b) The salaries and Sabha members' allowances for the year under review amounted to Rs.10,151,206 whereas a sum of Rs.9,153,000 out of that only had been reimbursed by the Commissioner of Local Government. Thus it had resulted in an additional expenditure of Rs.998,206 to the Sabha Fund.
- (c) According to the Management Services Circulars No. 14 dated 03 January 2002 and No. 28 dated 10 April 2006 of the Secretary to the Treasury, the recruitment of employees by Local Authorities under the casual, temporary, substitute and contract basis had been suspended. Contrary to such stipulation, 17 employees had been recruited and a sum of Rs.2,008,498 had been paid out of the Sabha Fund as their salaries. If recruitment had been made surpassing the instructions of these circulars, it had been emphasized that the Head of the institution is personally responsible in that connection.

2:5 Assets Management

2:5:1 Accounts Receivable

The value of the balances of Account Payable older than 01 year as at 31 December 2010 amounted to Rs.1,040,310.

2:5:2 Staff Loans Recoverable

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The balances of staff loans and advances that remained recoverable as at 31 December 2010 totalled Rs.171,916 and the balances of accounts older than 01 year totalled Rs.20,143.

2:6 Building Applications

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The following matters were observed.

- (a) The processing fee specified in the Notification of the Urban Development Authority in the Gazette Notification No. 1597/8 of 17 April 2009 had been under recovered on 02 Applications by a sum of Rs.1,110.
- (b) Even though the building relating to the Building Application No. BA/2010/02 had been completed and used for business purposes, the conformity fee of Rs.3,000 had not been recovered.
- (c) Even though a Development Certificate had not been issued for the Building Application No. BA/2010/04, the approval fee of Rs.96,600 for 48.3 square metres at the rate of Rs.2,000 per square metre as specified in paragraph 6(ii) of the above Gazette Notification had not been recovered.

2:7 Construction Works

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Even though a sum of Rs.75,000 had been received by the Sabha for the development of 03 roads under the Southern Provincial Development Programme for the year under review, the Sabha had not signed the agreements or commenced the works even by 21 November 2011.

2:8 Internal Audit

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An adequate internal audit of the Sabha had not been carried out.

03. Systems and Controls

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

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