

Seethawaka Pradeshiya Sabha

Colombo District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 29 March 2011 and the financial statements for the preceding year had been presented on 26 March 2010.

1:2 Opinion

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

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The accounting deficiencies observed in the accounts in terms of revenue, expenditure, assets and liabilities are given under the number of instances and values in the following table.

		Effect on the Accounts							
		Revenue		Expenditure		Assets		Liabilities	
		Number of Instances	Value	Number of Instances	Value	Number of Instances	Value	Number of Instances	Value
			Rs.'000		Rs.'000		Rs.'000		Rs.'000
(a)	Overstatements in the Accounts	02	944	--	--	01	10,415	03	12,561
(b)	Understatements in the Accounts	01	247	--	--	--	--	02	12,917
(c)	Omissions in the Accounts	--	--	01	124	01	92	01	489

1:3:2 Unreconciled Control Accounts

The balances of Control Accounts relating to 06 items of account totalled Rs.44,803,540 whereas according to the subsidiary registers, the balances of those accounts totalled Rs.55,312,563.

1:3:3 Unsettled Accounts

Balances of accounts relating to 06 items of accounts amounting to Rs.2,225,018 had been brought forward over a number of years. Even though this matter was pointed out in my reports for the preceding years, no action whatsoever had been taken in that connection.

1:3:4 Lack of Evidence for Audit

Transactions totalling Rs.457,989 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

1:3:5 Non – compliances

Non-compliance with the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(i) Financial Regulation 396(d)	Action in terms of the Financial Regulation had not been taken on 04 cheques valued at Rs.17,434 issued from “A” Bank Account and remaining without being presented for payment for more than 06 months.
(ii) Financial Regulations 570 571 and 572	Deposits amounting to Rs.13,266,118 older than 02 years had been shown as refundable deposits in the schedules. Action in terms of Financial Regulations had not been taken to prepare lists of lapsed deposits and to credit them to the Sabha revenue or to pay back them.
(ii) Financial Regulation 715(e)	Records and accounts in support of the receipt and issue of goods had not been maintained. The stock books had not been updated and as such it was not possible to establish the accuracy of the physical stock balances.
(iv) Financial Regulation 751(4)	The documents relating to the receipt and issuance of goods had not been filed in the numerical order.

Item of Revenue	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Cumulative Arrears as at 31 December	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	8,610	8,926	6,328	5,765	4,840	4,875
(ii) Lease Rents	12,876	11,059	2,733	11,282	9,785	2,585
(iii) Licence Fees	1,495	1,425	22	1,382	1,533	21
(iv) Other Revenue	70,748	60,601	24,734	60,840	70,581	3,022

It was observed in audit that the amounts presented did not reconcile with the accounts.

2:2:2 Arrears of Revenue

The following observations are made.

(i) Arrears of Trade Stall Rents

Trade Stall rent amounting to Rs.1,249,095 remained receivable as at 31 December 2010.

(ii) Courts Fines

Courts fines amounting to Rs.10,000,000 in respect of the year 2010 remained receivable by the Sabha.

(iii) Stamp Fees

Stamp fees amounting to Rs.10,000,000 remained receivable as at 31 December 2010 from the Registrar General.

2:4 Budgetary Control

Significant adverse variances were observed between the budgeted revenue / expenditure and the actual revenue / expenditure , thus indicating in audit that the budget had not been made use of as an effective instrument of management control.

2:5 Human Resources Management

2:5:1 Approved and Actual Cadre

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

Grade of Employees -----	Approved -----	Actual -----
Staff Grades	06	04
Secondary Grades	40	35
Primary Grades	137	128

2:6 Assets Management

2:6:1 Accounts Receivable

The value of the balances of Accounts Receivable as at 31 December 2010 amounted Rs.37,062,536 and an age analysis had not been furnished.

2:6:2 Staff Loans Recoverable

The staff loans and advances recoverable as at 31 December 2010 totalled Rs.16,397,211. An analysis of the outstanding loans could not be carried out due to the non-submission of an age analysis.

2:6:3 Assets not Surveyed

The value of assets not supported by Reports of Board of Survey and computed at the book value as at 31 December 2010 amounted to Rs.20,637,262.

2:7 Operating Inefficiencies

Common Amenities Lands

Three common amenities lands of the Sabha had not been utilized. Those had not been protected by fences and name board indicating an ownership by the Sabha had not been installed. The survey plane of another land had not been allocated with the file, while the owner of the land behind this had constructed a road on the land allocated for common amenities.

2:8 Irregular Transactions

A sum of Rs.2,978,136 had been paid in respect of the period from May to December 2010 to the institutions supplying waste management services without entering into a formal agreement in terms of Section 8.9.1(a) of the Procurement Guidelines of the Government. A performance bond for 5 per cent of the contract value had not been furnished by the institution in terms of the provisions of Section 5.4.8(a) of the Procurement Guidelines.

2:9 Performance

According to provisions of Section 24(1) of the Pradeshiya Sabha Act, No. 15 of 1987 and the letter No. LGD/07/03/02 (II) dated 17 December 2003 of the Western Provincial Commissioner of Local Government, permanent markings and boundaries and plans of the thoroughfares owned by Sabha should be made. Nevertheless the Sabha had not taken action accordingly. Out of the provision of Rs.100,000 made in the budget for the year 2010 for that purpose, no expenditure had been incurred.

2:10 Internal Audit

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

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Stock Control