

Thalawa 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 26 May 2011 and 18 May 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 Thalawa Pradeshiya Sabha for the year ended 31 December 2010.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

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

Nature of Deficiency	No. of Items	Effect on Financial Statements		
		Income	Expenditure	Assets
-----	-----	-----	-----	-----
		Rs.000'	Rs.000'	Rs.000'
(a) Over statements in the financial statements	02	-	-	2,704
-do-	01	243	-	-
(b) Understatement in the financial statements	01	67	-	-
-do-	03	-	-	361
(c). Omission from financial statements	06	-	-	333
-do-	01	-	1,252	-
(d). Inappropriate disclosures in the financial statements	04	-	-	905

1.3.2 Un-reconciled Accounts

The balance according to the financial statements relating to one item of accounts amounted to Rs.1,078,098 Whereas such balance according to subsidiary books/records amounted to Rs.1,178,608.

1.3.3 Unexplained Differences

Balances in 2 items of accounts as per main ledger as at 31 December 2010 totalled Rs.88,694,325 whereas such balances as per Trial Balance totalled Rs.74,020,879 the reason for this difference of Rs.14,673,446 had not been explained.

1.3.4 Lack of Evidence for Audit

Due to non-rendition of required information for audit 07 items of accounts totalling Rs.4,554,687 could not be satisfactorily vouched/verified in audit.

1.3.5 Non-compliances

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

Reference to Laws, Rules Regulations and Management Decisions -----	Non-compliance -----
(a) Sections 153 and 154 of the Inland Revenue Act No. 10 of 2006.	Even though 5% of Withholding Tax on services, supplies or constructions for more than Rs.50,000 per mensum should be recovered by every institution and remitted to the Commissioner General of Inland Revenue, withholding tax had not been recovered in the year under review.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Nos.570, 571	Deposits amounting to Rs.12,241,626 of which the period was elapsed had not been taken to revenue.
(c) Financial Regulations code of the North Central Province	
(i) Provincial Financial rule 261-2-2	Although the maximum limit of ad-hoc advance receivable at a time is Rs.100,000, advances of Rs.950,000 had been issued in 5 instances.

Security deposits had not been obtained from the

(ii) 546, 553 Secretary and the Cashier.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented to audit the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.12,378,962 as compared with the revenue over recurrent expenditure for the preceding year amounting to Rs.8,144,179.

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'
Rates & Taxes	2,531	1,211	1,320	3,000	2,555	5,327
Lease Rent	3,765	3,757	8	7,100	7,080	2,146
License Fees	1,045	605	440	3,700	3,660	120
Other Income	9,267	619	8,648	26,200	25,825	8,594

2.2.2 Courts Fines

Fines amounting to Rs.6,878,794 recovered by a Magistrate's Court up to 31 December 2010 under various Ordinances and remitted to the Chief Secretary were due to the Sabha.

2.2.3 Deficiencies in Collection of Revenue

Action had not been taken in terms of Sections 152 and 153 of the Pradeshiya Sabha Act No. 15 of 1987 to recover taxes on private tuition classes and lawyer's firms located within the area of authority of the Pradeshiya Sabha and ground rents on the capital value of undeveloped lands within the area of authority..

2.3 Expenditure Structure

The budgeted expenditure and 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'
Personal Emoluments	24,011	18,482	5,529	18,000	17,209	791
Others	9,976	10,329	(353)	13,800	13,767	33
Sub Total	33,987	28,811	5,176	31,800	30,976	824
Capital Expenditure	9,360	19,742	(10,382)	65,000	68,528	(3,528)
Grand Total	43,347	48,553	(5,206)	96,800	99,504	(2,704)

2.4 Human Resource Management

Approved Cadre and Actual Cadre

Cadre position of the Sabha as at 31 December 2010 is given below.

Grades of Employees	Approved	Actual
Staff	01	01
Secondary	08	07
Primary	39	37
Total	48	41

2.5 Assets Management

2.5.1 Idle Physical Resources

Equipment valued at Rs.841,000 had been given to the Sabha in the year 2008 by the North Central Province Chief Ministry to commence a rice flour related bakery product project but such equipment had been idle up to the date of audit on 04 July 2011 due to non-commence of the project even by that time.

2.5.2 Outstanding Staff Loans

Outstanding advances and loan balances as at 31 December 2010 totalled Rs.6,419,630 and the outstanding balances remained for more than 01 year totalled Rs.114,609.

2.5.3 Non-moving Current Assets

The value of non-moving assets remained for more than 01 year as at 31 December 2010 amounted to Rs.45,550

2.5.4 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.76,409,832

2.6 Transactions not Covered by Adequate Authority

Even though the foreign educational programs should be coordinated by the Secretary to the Ministry, a sum of Rs.150,000 had been paid to the Chairman on 06 September 2010 by voucher No. 1353 for the participation of a foreign educational program which had not been coordinated by the Ministry in terms of paragraph 2.1 of Chapter xv of the Establishments Code. According to the Circular No. PSA/1/1/2006 dated 11 February 2006 of the Presidents Secretary, referred to all Ministry Secretaries, it was not established that the tour had not benefitted to the government or the Pradeshiya Sabha.

2.7 Irregular Transactions

-
- (i) According to the Circular No. NCP/CS/PT/04 dated 17 September 2003 of the Chief Secretary of the North Central Province, only the overtime travelling expenses and holiday pay can be paid out of provisions made for the administrative expenses of the Maganeguma and Gamaneguma projects. Contrary to that a sum of Rs.123,575 had been paid to the Chairman and staff on 10 March 2010 by voucher No. 319 and 320.
 - (ii) Despite a motor grader and two tippers valued at Rs.13,950,000 and Rs.4,473,500 respectively were available in the Sabha advance of Rs.350,000 had been paid in the months of March and April 2010 by voucher No. 375 and 556 for obtaining machine services from a Private Company on hire basis without the approved of the Sabha, by deviating the tender procedure, and without an agreement. However, bills to ensure whether the relevant purpose had been completed even by 31 December 2010 were not made available.

2.8 Performance

In terms of Section 3 of the Pradeshiya Sabha 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 Pradeshiya Sabha had not been prepared.

2.9 Contract Administration

Constructions

- (a) A sum of Rs. 1,561,999 had been paid for 6 works during the year under review without obtaining the Quality Control report of the Provincial Engineer.
- (b) The Sabha had carried out a road project, laying rubbles and taring on the Eppawala Posphate Road and a sum of Rs.275,360 had been paid to the contractor thereon on 07 April 2010 by voucher No. 438. The estimate or work completion report and the reports for work site supplies were not made available for audit.

2.10 Internal Audit

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

03. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contract Administration
- (e) Debtors and Creditors Control