

Bentota Pradeshiya Sabha
Galle District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been presented for audit on 05 April 2011 and the Financial Statements for the preceding year had been presented for audit on 31 March 2010.

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 Bentota Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

- (a) The Accounting Policies that have been followed by the Sabha had not been revealed in the financial statements.
- (b) A cash flow statement had not prepared and furnished along with the financial statements.

1.3.2 Accounting Deficiencies

- (a) The value of motor vehicle owned by the Sabha amounted to Rs.650,000 had been omitted from the accounts.
- (b) The debit balance of the suspense account amounted to Rs.36,000 as at 31 December of the year under review was not identified and necessary adjustments had not been done.

- (c) The recurrent expenditure amounted to Rs.18,040 incurred during the year under review had been stated in the financial statements as capital expenditure.
- (d) The stock balance of materials purchased through the expenditure Head during the year under review was Rs.115,131 and it had been debited to the General stores Account as Rs.115,131 by Journal Entry 52 and credited to the capital expenditure account as Rs.151,131. Due to this transaction the capital expenditure of the year under review had been understated by Rs.36,000.
- (e) Twenty Seven debit balance aggregating Rs.78,156,783 as at 31 December 2010 were appeared as credit balances and 18 credit balances were appeared as debit balances in the trial balance furnished along with financial statements. Similarly, the trial balance had not been signed and certified by Book-keeper, Secretary and the Chairman.

1.3.3 Unsettled Accounts

There was a unsettled balance of Rs.108,500 being brought forwarded in the period since 03 years up to 17 years within the pre-payment balance amounting to Rs.245,861 as at 31 December 2010. Action had not been taken to settle those balance even during the year under review.

1.3.4 Unreconciled Control Accounts

According to the control accounts the balance relating to the 04 kind of Ayurveda medicine balance amounted to Rs.14,323 at head office, Bentota, whilst subsidiary registers balance of accounts was Rs.50,531 thus the difference was amounted to Rs.36,208.

1.3.5 Accounts Payable

The balances of accounts payable aggregating Rs.1,197,587 were remained for more than 03 years as at 31 December 2010 and there was a old balance of Rs.721,312 for more than 10 years within this balance.

1.3.6 Lack of Evidence for Audit

(a) Non-rendition of Information for Audit

Transactions valued at Rs.34,987,574 could not be satisfactorily vouched in audit due to non-rendition of required information for audit.

(b) Unreplied Audit Queries

Replies to 08 audit queries over 06 years had not been furnished up to 31 December 2010. whilst the quantifiable value of transaction referred to in those audit queries amounted to Rs.427,425.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance observed in audit are given below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Pradeshiya Sabha 1988 (Financial and Administrative) Rules	
(i) Rule No.193	A statement on explanation for the reasons of excesses and deficiencies after reconciled items of expenditure with the Budget to be prepared every year before as at 31 December and it had not been furnished for audit.
(ii) Rule No194	All the assets including furniture had not been included in the fixed assets register.
(iii) Rules No.218	The lands and buildings owned by the Sabha to be verified and reported at least once year. It had not been done.

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

- (i) F.R.756 and 757 Annual Survey of stores had not been done in respect of the year under review.

02. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented the recurrent expenditure over revenue of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs.116,759 as against the revenue over recurrent expenditure in the preceding year amounted to Rs.1,669,891.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

- (a) The information with regard to the estimated revenue, actual revenue and arrears of revenue for the year under review and preceding year as presented by the Chairman is 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 and Taxes	3,911	3,048	2,413	3,825	3,367	1,753
Lease Rent	2,492	2,487	43	2,201	3,360	40
Licence Fess	643	622	128	618	593	129
Other Revenue	23,129	24,348	9,127	24,047	19,306	10,012

2.2.2 Non-recovery of Arrears of Revenue

Action had not been taken for the recovery of arrears of revenue amounted to Rs.15,763,141 as at the end of the year as per Section 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987.

2.2.3 Court Fines

Court Fines amounting to Rs.267,400 collected and remitted to the Provincial Commissioner of Revenue up to 31 December 2010 by 02 Magistrates' Courts under the various Ordinances were receivable by the Sabha.

2.2.4 Stamp Fees

A sum of Rs.7,780,388 was receivable as at 31 December 2010 from the Registrar General as stamp fees.

2.3 Expenditure Structure

The budgeted and actual expenditure and the variances of the Sabha for the year under review and preceding year 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	17,006	16,520	486	16,593	15,920	673
Others	10,961	14,337	(3,376)	11,255	11,208	47
Sub Total	27,967	30,857	(2,890)	27,848	27,128	720
Capital Expenditure	4,512	7,422	(2,910)	4,841	6,925	(2,084)
Grand Total	32,479	38,279	(5,800)	32,689	34,053	(1,364)

2.4 Human Resources Management

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

Grade of Employee	Approved	Actual
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Staff	03	01
Secondary	19	20
Primary	27	19
Others (Casual, Temporary)	-	39

Although it had been informed that according to the Management Services Circular No.28 dated 10 April 2006, if recruitment is done on the basis of permanent / temporary / casual / substitute / contract or any other basis, the prior approval of the Management Services Department should be obtained. Without such approval an officer in secondary grade and 39 employees on casual and temporary basis had been recruited by the Sabha and were engaged in the service.

2.5 Assets Management

2.5.1 Idle and Under Utilized Physical Assets

- (a) The garbage crushing machine, hand tractor, and compost sift machine valued at Rs.196,150 had been given as donations to the compost project of the Sabha on 19 March 2007 by the Canadian Government and due to non-commencement of the project they were lying idled without being used even as at the date of audit on 08 June 2011.

- (b) Three buildings and one tractor owned by the Sabha valued at Rs.2,458,385 were lying idled for the period raging from 02 years up to 06 years.

2.5.2 Staff Loans Recoverable

Staff loans advance balances recoverable as at 31 December 2010 amounted to Rs.2,104,745 whilst accounts balances of recoveries remaining outstanding for more than 01 year totalled Rs.72,075.

2.6 Identified Losses

There was a deficiency of 1415 books valued at Rs.14,999 in the libraries at Bentota, Induruwa and Pahalagamhaya. Similarly, 107 books valued at Rs.10,376 had been given to take away from the Induruwa library before 2005 and they were not returned.

2.7 Operating Inefficiencies

- (a) Assets and Liabilities Declaration statements relating to 2010 had not been given any member of the Sabha, according to the requirements of the Assts and liabilities declaration Act. No.01 of 1975 and revised by Act No.74 of 1988.
- (b) A sum of Rs.234,176 had not been reimbursed from the Department of Local Government paid out of the Sabha fund as government interest contribution since April 2007 up to December 2010 in respect of property loan given by a state bank to the employee of the Sabha. This amount had not been get reimbursed from the Department of Local Government.

2.8 Contract Administration

(a) Abandoned Projects

Construction of Shopping Complex, Bentota and Construction of Shopping complex and Vegetables Huts, Gonagala

Estimates have been prepared for the construction of shopping complex, Bentota and for the construction of shopping complex and vegetables huts, Gonagala, for Rs.37,838,424 and Rs.30,704,105 respectively, approval had been obtained on 21 April 2009. A sum of Rs.19,868 for the calling for quotations to publish in the news papers in respect of consultancy services, interest amount of Rs.43,711 for the vesting land for public market, Bentota were incurred out of the Sabha fund. However, both works had been abandoned even as at the date of audit on 08 June 2011.

(b) Works Accomplished on Direct Labour Basis

Concreting balance portion of the Serandib Boarding Road

Estimating had been done as required materials of cement, metal and sand for making 05 cubes of concrete in 4" thickness by mixture 1.2.4 (3/4") under item No.2 of this work. According to the final report of the technical officer, certified that, estimated materials that have been used. According to the measurements taken at the site inspection carried on 01 June 2011 in connection with the work the used concrete quantity was 3.73 cubes only. Accordingly, 23 bags of cement, 1 ¼ cubes ¾" metal, ¾ cubes of sand were issued in excess. The cost of those were amounted to Rs.30,142.

(c) Pre-School Building Constructed in the Premises of Induruwa Sub-office

Although pre-school building had been constructed in 2006 on total cost estimate of Rs.5.7 million by the non-government organization in the premises of induruwa sub-office owned by the Sabha, no building plan had been approved by the Sabha in this connection. Similarly, the file relating to the construction was not furnished for audit. At the site inspection carried out on 07 June 2011 and it was observed that construction work had not been completed and also, no action was taken by the Sabha to complete the balance work of the building and to ensure the safety of the assets.

2.9 Internal Audit

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

03. Systems and Controls

Special attention is needed in respect of following areas of systems and controls.

- (a) Accounting
- (b) Internal Control
- (c) Budgetary Control
- (d) Revenue Administration
- (e) Assets Management
- (f) Contract Administration