

Elahera Pradeshiya Sabha

Polonnaruwa District

01. Financial Statements

1:1 Presentation of Financial Statements

Financial statements for the year under review had been presented to audit on 01 April 2011 and the financial statements for the preceding year had been presented for the audit on 08 April 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 Elahera Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

A summary of the accounting deficiencies observed during the course of audit is given below.

Accounting Deficiency	Number of Items	Value
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		Rs.
(i) Omissions in the Financial Statements	07	524,068
(ii) Understatements in the Financial Statements	01	110,368
(iii) Overstatements in the Financial Statements	02	22,072,151
(iv) Inappropriate Disclosures	05	636,747

1:3:2 Unreconciled Accounts

The balances of 04 items of accounts as appearing in the subsidiary registers totalled Rs.5,914,375 whereas according to the financial statements presented for audit those balances totalled Rs.6,082,295 and the unreconciled balances amounted to Rs.162,920.

1:3:3 Suspense Accounts

Even though the credit balance of the Suspense Account amounting to Rs.28,233 as at 31 December 2008 according to the financial statements it had increased to Rs.276,543 by the end of the year under review, action had not been taken to identify and settle the amount.

1:3:4 Lack of Evidence for Audit

Non-submission of Information to Audit

Seven items of account totalling Rs.36,053,242 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1:3:5 Non-compliances

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

Reference to Laws, Rules and Regulations	Non-compliances
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(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988	
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Rules 59

Even though a survey of the area of authority of the Sabha should be conducted before 31 March of each year and report on the industries should be prepared in terms of Section 150(1) of the Pradeshiya Sabha Act, No. 15 of 1987 action in accordance with the requirement had not been taken in the year under review as well.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
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(i) Financial Regulation 156(1)

The Surcharge of Rs.1,412 paid for the

delay in the remittance of contributions to the Employees' Trust Fund had not been recovered from the officers responsible.

(ii) Financial Regulation 396

Action in terms of the Financial Regulation had not been taken on 03 cheques valued at Rs.4,344 issued but not presented to the Bank according to the Bank Reconciliation of the Bank Account No. 0005433459 for December 2010.

(iii) Financial Regulation 751

(i) Goods valued at Rs.178,400 purchased by the Sabha in the year under review had not been recorded in the Inventory Register.

(ii) A Board of Survey for the year under review had not been conducted.

2. Financial and Operating Review

2:1 Financial Result

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.610,736 as against the excess of recurrent expenditure over revenue amounting to Rs.10,403,982 for the preceding year.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year presented by the Chairman is given below.

Item of Revenue	Estimated	<u>2010</u>		<u>2009</u>		Cumulative Arrears as at 31 December	Cumulative Arrears as at 31 December
		Actual	Cumulative Arrears as at 31 December	Estimated	Actual		
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	602	576	688	678	336	603	
(ii) Lease Rents	1,336	1,257	274	1,331	1,710	272	
(iii) Licence Fees	115	82	--	190	71	--	
(iv) Other Revenue	18,460	12,637	4,492	13,435	1,228	350	

2:2:2 Courts Fines

Fines amounting to Rs.4,107,568 recovered by a Magistrate's Court under various Ordinances up to 31 December 2010 remained receivable by the Sabha.

2:2:3 Stamp Fees

Stamp fees amounting to Rs.156,700 remained receivable in respect of the years 2006 to December 2008 and the stamp fees recoverable for the years 2009 and 2010 had not been computed and brought to account..

2:2:4 Arrears of Rates

(i) The arrears of rates of the Sabha as at 31 December 2010 amounted to Rs.687,700 and the rates revenue collected in the year under review amounted to Rs.252,989. As such it was observed that the progress of the collection of rates revenue represented a low percentage of 27 per cent.

(ii) The Sabha had not taken adequate courses of action for the recovery of arrears of rates amounting to Rs.554,406 remaining over periods ranging from 03 to 10 years from 339 rate payers.

- (iii) It was observed that arrears of rates amounting to Rs.323,111 due from 05 Government institutions remained without being recovered over a long period.

2:2:5 Arrears of Trade Stall Rents

The trade stall rent remaining without being recovered from the trade stall No. 1 opposite the weekly fair at Bakamuna for over 04 years amounting to Rs.58,742 could not be recovered even by 31 March 2010. The Sabha had not taken any legal action in that connection.

2:3 Expenditure Structure

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	8,776	9,098	(322)	9,295	8,522	773
Others	5,162	4,844	318	6,311	5,227	1,084
Sub-total	13,938	13,942	(4)	15,606	13,749	1,857
Capital Expenditure	6,570	6,802	(232)	10,237	10,042	195
Grand Total	20,508	20,744	(236)	25,843	23,791	2,052

2:4 Human Resources Management
Approved and Actual Cadre

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	01	--
(ii)	Secondary Grades	05	04
(iii)	Primary Grades	12	13
(iv)	Others (Casual, Substitute, Temporary)	--	17
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		18	34
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- (i) Salaries and allowances amounting to Rs.2,494,950 had been paid from the Sabha Fund in the year under review to 17 employees recruited to temporary and substitute posts exceeding the approved cadre of the Sabha without obtaining the approval of the Commissioner of Local Government in accordance with the provisions of Section 19 (1) of the Pradeshiya Sabha Act, No. 15 of 1987.
- (ii) Even though 06 substitute employees over and above the above mentioned excess cadre had been recruited for the Madudamana Drinking Water Project and the Nenasala Project maintained by the Sabha, formal approval for their recruitment as well had not been obtained.

2:5 Assets Management

Idle and Underutilized Physical Resources

The following observations are made.

- (i) Even though the Project for the Production of Food stuffs with Rice Flour established at a cost of Rs.1,114,240 met from the Sabha Fund and the Provincial Specific Development Grants had been opened on 28 December 2008, it had been idling for over 02 years since then.

- (ii) Even though the Rice Flour related Products Project remained idle, it had turned out to be a project merely maintained by spending more than Rs.9,236 on electricity and water and payment of monthly salary of a watcher in the year 2010
- (iii) The motor boat and ferry valued at Rs.360,000 distributed by the Ministry of Disaster Relief Services on 12 February 2007 had been idling for more than 03 years and as such it was observed that those machinery is subject to the risk of deterioration. It is observed that such Government resources could be used for more effective purposes if they are made available to any other institution which can make use of them.

2:6 Performance

Lack of a Corporate Plan and an Action Plan

- (a) A Corporate Plan depicting the manner of performance of the functions devolved on the Pradeshiya Sabha in the future had not been prepared in terms of paragraph 05.1 of Circular No. PF/R/2/2/2/3/5(4) dated 10 March 2010 of the General Treasury.
- (b) An Action Plan (Financial and Physical) for the year under review directing the financial, human and physical resources to a proper management approach for the achievement of the objectives of the Sabha had not been prepared.

03. Systems and Controls

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

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