

Galenbindunuwewa 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 18 July 2011 and 20 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 Galenbindunuwewa Pradeshiya Sabha for the year ended 31 December 2010.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies adopted by the Sabha in the preparation of financial statements were not disclosed.

1.3.2 Accounting Deficiencies

(a) Accounting deficiencies appeared in the accounts are shown in the following table in terms of revenue, expenditure, assets and liabilities.

Nature of Deficiency -----	No. of Instances -----	Effects on Financial Statements -----			
		Revenue	Expenditure	Assets	Liabilities
		Rs.000'	Rs.000'	Rs.000'	Rs.000'
(a) Omission from Financial Statements	01	Not Computed	-	-	-
- do -	01	-	-	-	578
- do -	01	-	-	541	-
(b) Over statements in the Financial Statements	01	54	-	-	-

(c) Understatements in the Financial Statements	01	-	-	-	94
-do-	01	896	-	-	-
-do-	02	-	-	680	-
(d) Inappropriate disclosures in the Financial Statements	01 01	- -	- 359	24 -	- -

- (b) A contractor had filed a case in the Court of Law to recover the money due from the Sabha in respect of a project construction of ponds in the year 1999. Against the Sabha in the year 2001. According to the judgment of the case movable properties of the Sabha had been taken into custody of the Court in September 2011. This information had not been disclosed in the financial statements.

1.3.3 Un-reconciled Control Accounts

According to the control accounts relating to 7 items of accounts, the total balances amounted to Rs.2,803,259 whereas according to the subsidiary books/schedules the total of such balances amounted to Rs.2,475,293.

1.3.3 Unexplained Differences

The following matters were observed.

- (a) The following differences were observed between the cash book balances of Bank of Ceylon and Peoples Bank current accounts and the balances shown in the financial statements as at 31 December 2010. Reasons for such differences were not explained.

Bank Current Account	Balance as at 31 December		
	As per Cash Book	As per Financial Statements	Differences
	Rs.	Rs.	Rs.
Bank of Ceylon – General Account	763,589	1,830,125	1,066,536
Peoples Bank – Works Account	427,516	1,682,606	1,255,090

- (b) The total balances relating to 3 items of accounts as at 31 December 2010 as per Financial statements amounted to Rs.8,192,752 whereas according to the Trial Balance the total of such balances amounted to Rs.8,943,934 and the difference had not been explained.
- (c) Even though the total balance of Accumulating Fund and Reserves as at 31 December 2010 amounted to Rs.9,495,523 according to the Balance Sheet the total of such balance amounted to Rs.7,918,881 and the difference had been explained.

1.3.5 Lack of Evidence for Audit

Transactions totalling Rs.97,157,490 could not be satisfactorily verified in audit due to non-remission of information required for audit.

1.3.6 Non-compliance with Laws, Rules and Regulations etc.

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

Reference to Laws, Rules
Regulations etc.

Non-compliance

(a) Stamp Duty Act No. 12 of 2006

Action had not been taken to recover stamp duties in respect of trade license fees, renting of business premises, publicity hoarding income, leasing of public fair.

(b) Section 154 of the Inland Revenue Act No. 10 of 2006

Five per cent Withholding Tax should be recovered from specific payments over Rs.50,000 per mensum or Rs.500,000 per year and remitted to the Commissioner

General of Inland Revenue. Nevertheless Withholding Tax had not been recovered from payments exceeding that limit.

(c) Pradeshiya Sabha rules of 1988 (Financial and Administration) Rule 207.

(i). Supply of goods & services should be done as much as Competitive bases but purchasing of goods valued at Rs.328,438 during the year under review, the procurement procedure had not been followed.

(ii). Quotations had not been called for the purchase of material valued at Rs.206,177 for constructions.

(d) Financial Regulations (F.R) of the Democratic Socialist Republic of Sri Lanka F. R. 396 (c)

Action in terms of Financial Regulations had not been taken in respect of 48 cheques of which validity period succeeded valued at Rs.123,284 Issued from 1994 to 2010 but not presented for payment.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the income over recurrent expenditure for the year ended 31 December 2010 amounted to Rs.309,027 as against the recurrent expenditure over income for the preceding year amounting to Rs.351,156.

2.2 Financial Control

A test check observed that a sum of Rs.2,846 had been paid in excess of the amount stated in the vouchers in 4 instances during the year under review.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The estimated revenue, actual revenue and the arrears of revenue relating to the year under review and the preceding year presented by the Chairman are 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 & Taxes	1,000	975	1,160	400	317	676
Lease Rent	100	81	422	1,240	1,382	440
License Fees	-	-	-	655	662	-
Others	3,900	3,004	1,495	2,976	8,607	818

2.3.2 Court Fines

Fines amounting to Rs.504,975 recovered by a Magistrate's Court under various Ordinances and remitted to the Chief Secretary as at 31 December 2010 were due to the Sabha.

2.3.3 Recovery of Rates

Out of the rated billed in the year under review amounting to Rs.974,818 only 6.9 per cent or Rs.67,395 had been recovered as at 31 December. Out of the arrears of rates amounting to Rs.568,087 as at 31 December 2009, only a sum of Rs.11,537 or 2.03 per cent had been recovered during the year 2010. Accordingly the arrears were not being recovered from 2 to 6 years and as such the recovery of rates had been at a very low level.

2.3.4 Recovery of Trade Stall Rent

Out of the trade stall rent income billed during the year under review amounting to Rs.81,600 only Rs.18,500 or 22.67 per cent had been recovered during the year. The previous year's arrears of revenue amounted to Rs.440,212 but only a sum of Rs.80,900 or 13 per cent had been recovered during the year. The balance arrears of Rs.359,312 had not been recovered for the period ranging from 01 to 8 years. Trade Stall Rent had been recovered only on the basis of rent determined about 10 years ago without being assessed.

2.4 Expenditure Structure

The budgeted expenditure and actual expenditure of the Sabha for the year under review 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'
Recurrent Expenditure	7,500	7,530	(30)	7,389	7,566	(177)
Personal Emoluments	2,000	1,867	133	3,615	3,753	(138)
Others	9,500	9,397	103	11,004	11,319	(315)
Sub Total	500	8,345	(7,845)	430	12,331	(11,901)
Capital Expenditure	10,000	17,742	(7,742)	11,434	23,650	(12,216)
Grand Total						

2.5 Human Resource Management

2.5.1 Approved and Actual Cadre

- (a) Particulars of approved cadre and the actual cadre of Sabha as at 31 December 2010 are given below.

Grades of Employees	Approved	Actual
Staffs	01	01 (Acting)
Secondary	05	08
Primary	14	15
Others (Casual/Temporary)	-	07
Total	20	31

- (b) Staff had been recruited in excess of the cadre approved by the Department of Management Services and paid the salaries and allowances from the Sabha Fund. According salaries and allowances amounting to Rs.662,220 had been spent from the Sabha Fund on 8 employees who had recruited during the period from January to October 2010 in excess of the approved cadre.

2.6 Assets management

2.6.1 Idle Physical Resources

The value of goods and equipment amounting to Rs.541,000 given by the Chief Ministry of the North Central Provincial Council for rice flour related product projects had been remained idle even up to the date of audit in July 2011 due to non-taking action to implement the project.

2.6.2 Outstanding Staff Loans

The total staff loan and advances outstanding as at 31 December 2010 amounted to Rs.835,083 and of which the total outstanding accounts balances remained for more than 01 year amounted to Rs.81,792.

2.6.3 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.5,773,096.

2.7 Activities Extraneous to the Objectives

A provision of Rs.500,551 had been granted by the Commissioner of Local Government of the North Central Province to construct a leisure park in the Galenbindunuwewa under environment development program of this provision, a sum of Rs.494,863 had been spent on 12 July 2010 for the development of the common toilet of the Galenbindunuwewa town and to construct the fence around the toilet and the gate. Accordingly objectives of the Environment Development Program of the year 2009 could not be achieved.

2.8 Irregular Transactions

Day's pay amounting to Rs.16,742 had been paid to a casual driver who had not been issued a formal letters of appointment for the period of 37 days from January to June 2010 during which the permanent driver had served in the motor cab bearing No. 252 – 6489 belonging to the sabha starting that the casual driver had driven the vehicles during that period.

2.9 Performance

In terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 a corporate plan incorporating the activities to be performed in the future years relating to health, roads and common utility services of the people living in the area of authority of the Pradeshiya Sabha and an action plan to perform the activities expected to be implemented during the year under review but it had not been prepared and implemented.

2.10 Contract Administration

A payment of Rs.259,200 had been paid in respect of 76 machine hours for road motor grading within the area of authority out of the provision received from the North Central Provincial Council under provincial specific road development program during the year 2010. The direct labour estimates for road reconstruction had not been prepared. In terms of ICTAD series No Sc-1, para 56 payments should be made on the basis of measuring the work done. Nevertheless, the payments had been made on the basis of machine hours in contrary.

2.11 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) Internal Auditing
- (c) Assets Management
- (d) Revenue Administration
- (e) Stores Control
- (f) Vehicles Control