

Kebithigollewa Pradeshiya Sabawa
Anuradhapura District

1. Financial Statement

1.1 Presentation of Financial Statement

Financial statement of the year under review and the preceding year had been presented to audit on 10 May 2011 and 08 July 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 Kebithigollewa Pradesiya Sabha for the year ended 31 December 2010 presented to audit.

1.3 Comments on the Financial Statement

1.3.1 Accounting Deficiencies

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

Nature of Deficiencies -----	No. of items -----	Effects on the Financial Statements -----			
		Income -----	Expenditure -----	Assets -----	Liabilities -----
		Rs.000	Rs.000	Rs.000	Rs.000
(a) Overstatements in the Financial Statements	01	426	-	-	-
(b) Understatements in the Financial Statements	01	14	-	-	-
- do -	01	-	383	-	-
(c) Omissions from Financial Statements	02	-	-	402	-
(d) Inappropriate Disclosures in the Financial Statements	01	-	-	200	-

1.3.2 Un reconciled Accounts

Balances according to the control accounts relating to the 03 items of accounts totalled Rs. 1,744,206 whereas the balances according to the subsidiary books / records the total of these balances amounted to Rs. 563,374.

1.3.3 Unexplained Differences

The following matters were observed

- (a) According to the accounting procedure of the Pradeshiya Sabha, the balance of revenue contributions to the capital employed account should tally with the total of fixed assets accounts. Nevertheless, the value of fixed assets and the balance of revenue contributions to the capital employed account had been shown in the financial statements as Rs.7,063,447 and Rs.3,541,230 respectively as at the end of the year under review.
- (b) Even though the balance of the employees loan account as at 31 December 2010 according to the main ledger maintained by the Pradeshiya Sabaha amounted to Rs.81,135 it was shown in the trial balance as Rs.439, 432. The reason for this difference was not explained.

1.3.4 Accounts Payable

-
- (a) Local government employees contributions of Rs.267,294 payable to the Department of Pensions as at 31 December 2010 had been brought to accounts under creditors. However the particulars of the officers who had to pay contributions and the period of their service in the Sabha were not established.
 - (b) The value of balance of accounts payable remained outstanding for more than 01 year as at 31 December 2010 amounted to Rs.541,771.

1.3.5 Lack of Evidence for Audit

Non- rendition of Information for Audit

Eight items of accounts totalling Rs.2,258,244 could not be satisfactorily vouched / verified in audit due to non – rendition of required information for audit.

1.3.6 Non- compliance with Laws, Rules and Regulations

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and management decisions -----	Non - compliance -----
(a) Section 84 of the Inland Revenue Act No 10 of 2006	Stamp duties on trade license income and income on trading license leasing had not been recovered and remitted to the Commissioner General of Inland Revenue.
(b) Sections 153 and 154 of the Inland Revenue Act No.10 of 2006	5% of the specific charges should be deducted as with holding tax and remitted to the Commissioner of Inland Revenue nevertheless with holding tax from payments of Rs.137,500 had not been recovered.
(c) Financial Regulation of the Democratic socialist Republic of Sri Lanka Financial Regulation 245	Nine paid vouchers valued at Rs. 24,564 had been paid without being certified.
2. Financial and Operating Review -----	
2.1 Financial Results -----	
According to the financial statements presented the revenue over recurrent expenditure of the Pradeshiya Sabha for the year ended December 2010 amounted to Rs.1,161,598 as compared with the revenue over recurrent expenditure for the preceding year amounted to Rs.846,348.	
2.2 Revenue Administration -----	
2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue -----	
Particulars of estimated revenue, actual revenue and 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
(a) Rates and Taxes	102	131	-	125	125	-
(b) Lease Rent	622	1,129	93	1,253	994	259
(c) License Fees	244	258	-	195	195	-
(d) Other Income	1,576	6,732	765	6,242	5,477	765
Total	2,544	8,250	858	7,815	6,791	1,024

2.2.2 Rates

In terms of Section 134 (1) of the Pradeshiya Sabha Act No 15 of 1987 action had not been taken to recover the tax on the annual value of immovable properties located within the area of authority of the sabha after being identified the developed and declared areas.

2.2.3 Stamp Duty

Stamp fees of Rs.524,360 were receivable from the Registrar General as at 31 December 2010.

2.2.4 Trade Stall Rent

In terms of the Circular No. NCP/PL/4/7/19 dated 04 August 1980 of the Commissioner of Local Government the monthly lease rent assessment should be revised at least once in 05 years. Nevertheless the monthly assessed rent of 20 trade stalls belonging to the Sabha is being recovered without being changed since 1999.

2.3 Expenditure Structure

The budgeted expenditure and the actual expenditure of 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
Recurrent Expenditure						
Personnel Emoluments	5,498	5,274	224	4,900	4,850	50
Others	1,823	1,814	09	3,000	2,119	881
Sub Total	7,321	7,088	233	7,900	6,969	931
Capital Expenditure	-	3,772	(3,772)	2,000	16,808	(14,808)
Grand Total	7,321	10,860	(3,539)	9,900	23,777	(13,877)

2.4 Human Resource Management

2.4.1 Approved and Actual Cadre

- (a) The particulars of approved and actual cadre of the sabha as at 31 December 2010 are given below.

Grade of Employees	Approved	Actual
(i) Staff	01	01
(ii) Secondary	01	01
(iii) Primary	09	14
Total	11	16

- (b) Salaries amounting to Rs. 641,700 not to be reimbursed had been paid to 05 employees from Fund of the Sabha during the year under review who had been recruited in excess of the approved cadre.

2.5 Assets Management

2.5.1 Accounts Receivable

The value of accounts receivable balances as at 31 December 2010 amounted to Rs.130,242 and that total value had remained for more than 01 year.

2.5.2 Staff Loans Receivable

Loan and advance balances receivable as at 31 December 2010 totalled Rs.439,432 and the balances outstanding for more than 01 year totalled Rs. 8,800.

2.5.3 Unverified Assets

The value of assets computed on book values as at 31 December 2010 had not been confirmed as Board of survey Reports amounted to Rs.7,502,877.

2.6 Irregular Transactions

According to the Chief Ministry Secretary's letter No. NCP/CM/ED/4/21 dated 14 November 2006 Of Provincial Treasury Circular No. 2006/8 and the Circular No NCP/CS/PT/AP/1/107/3 dated 15 September 2006 travelling allowance can be paid on the basis of maximum number of days. Nevertheless, travelling allowance of Rs. 6,500 had been paid to the Acting Secretary of the Sabha for 13 days in execs of his maximum 06 days.

2.7 Performance

In terms of Section 03 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 and the benefit and welfare of the people living in the area of Pradeshiya Sabha and an action plan to perform the activities expected to be implemented during the year under review had not been prepared and implemented.

2.8 Contract Administration

Delays in the Implementation of Projects.

- (i) An agreement had been entered in to with a farmer organization on 12 November 2010 at an estimated value of Rs.684,422 for the development of the Agro-Road at Ayyathige Wewa Yaya 28 Lanu Ambulewa. Even that the work of this should have been completed at 12 February 2011 only the work s valued at Rs.267,370 had been completed as at that date. The balance provision of Rs.417,052 had been refunded to the Provincial Treasury as such the balance work could not be completed.

- (ii) An agreement had been entered in to with the Ayyathigewewa Farmer Organization on 08 November 2010 for the development of Nidahas Uyana being prepared an estimate for Rs.524,848 According to the agreement all the items works should have been completed and handed over by 08 February 2011. Nevertheless equipment valued at Rs.312,858 had not been installed even by 08 July 2011 in the Nidahas Uyana.

2.9 Internal Audit

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

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management