

Laggala Pallegama Pradeshiya Sabha
Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been presented for audit on 03 June 2011 and the Financial Statements for the preceding year had been presented for audit on 06 May 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 Laggala Pallegama Pradeshiya Sabha presented for audit for the year ended 31 December 2010.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Stores Advance Account system had not been followed in respect of accounting for general stores, but goods/ materials purchased had been debited to expenditure Head directly.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) Due to non- allocation of provision during the year 2009 for telephone bills for Rs. 100,000 in respect of the period August to December 2009, this amount had been paid debiting expenditure Head 105(2) of the year 2010. As a result, expenditure of the year had been overstated by that amount.
- (b) The expenditure incurred in the year under review amounting to Rs. 45,389 for the construction of Karandamulla community hall had not been capitalized.

- (c) As a result of provision being not made under creditors in respect of outstanding loan instalments of Rs. 61,397 for tractor No.CP – RB- 2996 relating to preceding year had been paid by debiting the expenditure Head 105(3) of the year under review. Accordingly expenditure of the year had been overstated by that amount.
- (d) Cheque book charges of Rs. 2,587 relating to preceding year had been paid by debiting expenditure Head 105(3) of the year 2010, thus the expenditure of the year had been overstated by that amount.
- (e) Stamp duty of Rs. 6,882 relating to preceding year had been paid by debiting expenditure Head 105(3) of the year 2010, thus the expenditure of the year had been overstated by that amount.
- (f) Charges for cleaning of weekly fair amounting to Rs. 6,000 relating to preceding year had been accounted for as expenditure of the year under review in that the expenditure of the year had been overstated by that amount.
- (g) Audit fees amounting to Rs. 87,517 in the year 2008 had been paid by debiting expenditure Head 105(3) of the year under review in that the expenditure of the year had been overstated by that amount.
- (h) Even though a land to an extent of 31 perches in lot 03 of deed No. 776 dated 19 January 2002 valued at Rs. 25,000 had been vested in the Sabha by a donor, this asset had not been accounted for under lands and buildings.
- (i) A sum of Rs. 86,600 payable under general supply creditors had been shown as carried forward balance of audit fees payable as at 01 January 2010. Even though there had been audit fees payable for the period 1994 to 2003 amounting to Rs. 192,257 and Rs. 259,800 for the period 2008 to 2010 aggregating Rs. 452,057 , these amounts had not been disclosed in the accounts.
- (j) Even though there had been a balance of arrears of water charges amounting to Rs. 227,784 this value had not been shown in the balance sheet under debtors.

1.3.3 Unreconciled Control Accounts

According to control accounts relating to 05 items of account, balances totalled Rs.12,733,661 where as according to subsidiary registers, account balances totalled Rs.16,438,266.

1.3.4 Suspense Accounts

The credit balance of accounts in suspense nature as at 01 January 2010 was Rs.2,021,717. Even though a sum of Rs. 1,319,342 had been added to the account, the balance as at the end of the year under review stood at Rs. 3,339,060.

1.3.5 Accounts Payable

The value of accounts payable balances remained for over a period of 01 year as at 31 December 2010 was Rs.6,584,697.

1.3.6 Lack of Evidence for Audit

(a) Unanswered Audit Queries

Replies to 02 audit queries had not been submitted even as at 08 August 2011. The quantifiable value of transactions referred to in those queries was Rs.184,190.

(b) Non – rendition of Information for Audit

Transactions totalling Rs.10,315,965 could not be satisfactorily vouched in audit due to non- availability of required information for audit.

(c) Maintenance of Registers

The following registers had not been maintained.

- (i) General Ledger
- (ii) Creditors Register

(iii) Debtors Register

1.3.7 Non-compliances

The following non-compliances with laws, rules and regulations were observed in audit.

Reference to Laws, Rules and Regulations

Non-compliance

Pradeshiya Sabha (Finance and Administrations) Rules 1988

(i) Rule 214 and Financial Regulation 203 and 756

Board of survey in respect of year 2009 and 2010 had not been carried out even as at 04 August 2011.

(ii) Rule 168

Even though Financial Statements in respect of any year should be presented for audit before 31 of March in the ensuing year, Financial Statements for the year under review had been presented only on 03 June 2011.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the revenue of the Sabha over recurrent expenditure for the year ended 31 December 2010 was Rs.356,480 and the corresponding revenue over the recurrent expenditure for the preceding year was Rs.1,419,931.

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 submitted by the Chairman in respect of the year under review and the preceding year are given below.

Item of Revenue	Estimated	2010		Estimated	2009	
		Actual	Accumulated arrears as at 31 December		Actual	Accumulated arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	220	499	220	18	205	103
(ii) Lease Rent	1,112	466	613	144	144	-
(iii) License Fees	348	1,822	118	688	152	536
(iv) Warrant Cost and Fines	243	182	604	2,154	2,857	578
(v) Other Income	662	94	568	-	-	-

2.2.2 Court Fine

Court fines collected by a Magistrate Court under various Ordinances up to 31 December 2010 and remitted to Central Provincial Chief Secretary amounting to Rs. 1,190,214 had remained as receivable to the Sabha.

2.2.3 Stamp Fees

Action had not been taken to recover stamp fees of Rs. 263,370 from the Registrar General as at 31 December 2010.

2.2.4 Rates and Acreage Tax

If the payment of rates and acreage tax is evaded, action should be taken to recover them in terms of provisions in Section 158(i) (c) of Pradeshiya Sabha Act No. 15 of 1987. Action had not been taken accordingly and as a result arrears of taxes stood as at 31 December 2010 amounted to Rs. 81,432.

2.3 Expenditure Structure

Estimated and 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	Budgeted	2010		Budgeted	2009	
		Actual	Variance		Actual	Variance
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<u>Recurrent Expenditure</u>						
Personal Emoluments	8,811	7,841	970	8,323	6,521	1,802
Other	2,731	2,706	25	1,442	3,184	(1,742)
Sub Total	11,542	10,547	995	9,765	9,705	60
Capital Expenditure	5,425	23,273	(17,848)	3,333	17,178	(13,845)
Grand Total	16,967	33,820	(16,853)	13,098	26,883	(13,785)

2.4 Human Resources Management

Approved and Actual Cadre

Particulars of approved and actual cadre of the Sabha as at 31 December 2010 are given bellow.

Category	Approved	Actual
Staff	01	-
Secondary	13	07
Primary	15	14
Other (Casual / Temporary)	-	10

2.5 Assets Management

2.5.1 Idle Physical Resources

- (a) Even though an expenditure of Rs. 41,695 had been incurred on 22 March 2009 for the repair of the electric generator belonging to the Sabha had remain idled without being used even as at the date of inspection i.e. 03 August 2011. Accordingly expenditure incurred in this regard had become fruitless.

- (b) The cement blocks manufacturing project established spending Sabha Fund had remain idled even as at 03 August 2011 and any income had not been gained on it.

2.5.2 Staff Loan Recoverable

Staff loan advance balance to be recovered as at 31 December 2010 totalled Rs.2,135,645.

2.5.3 Assets not Verified

The value of assets not confirmed by board of survey reports but taken in to account on book value as at 31 December 2010 was Rs.9,373,765.

2.6 Operating Inefficiencies

The following observations are made.

(a) Maintenance of Street Lamps

Maintenance of street lamps in the area is done by the Sabha with the assistance of a Electrical Technicians and an expenditure of Rs. 53,929 had been incurred in the year 2010 in this regard. This amount could not be reimbursed due to non-entering into an agreement with the Ceylon Electricity Board.

(b) Karandamulla Water Scheme

Even though the Karandamulla Water Scheme had been constructed at a cost of Rs. 1,200,000, the people did not get the benefit of the scheme even as at August 2011.

(c) Non – acquisition of Ownership

Three community centers had been constructed by the Sabha in the year 2010. But action had not been taken to acquire the land on which buildings had been constructed.

2.7 Contract Administration

Improvements to Ilukkumbura village road had been done by the Ilukkumbura Rural Samurdhi Society under " Jathika Saviya Gama Neguma" 2010 with an expenditure of Rs.415,672.

The following deficiencies were observed at a physical check carried out on 04 August 2011.

- (a) Excavation of side drains not done
- (b) Spreading of gravel not done
- (c) Less placing of concrete in 1:2:4 mix.
- (d) A sum of Rs. 91,495 had been over paid for work items not executed.

2.8 Internal Audit

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

3. Systems and Controls

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

- (a) Accounting
- (b) Internal Control
- (c) Budgetary Control
- (d) Revenue Administration
- (e) Assets Management
- (f) Stores Control
- (g) Vehicle Control
- (h) Debtors and Creditors Control