

Lankapura Pradeshiya Sabha
Polonnaruwa District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 29 April 2011 and the financial statements for the preceding year had been presented on 26 March 2010.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Lankapura Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Lankapura Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

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

Accounting Deficiency	Number of Items	Value
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		Rs.
(a) Omissions in the Financial Statements	04	456,058
(b) Understatements in the Financial Statements	03	31,187
(c) Overstatements in the Financial Statements	03	51,133

1:3:2 Unreconciled Accounts

- (a) The balances of 02 items of account appearing in the financial statements and the balances appearing in the subsiding registers did not reconcile by a sum of Rs.58,781.
- (b) Even though the value other assets excluding the value of lands and buildings should be equal to the Revenue Contribution to Capital Outlay Account, those accounts did not reconcile by a sum of Rs.3,490,309.

1:3:3 Accounts Payable

The value of the balances of 07 Accounts Payable older than 01 year as at 31 December 2010 amounted to Rs.3,345,508.

1:3:4 Lack of Evidence for Audit

Eleven items of account valued at Rs.51,757,912 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 and the management decisions were observed during the course of audit.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988	
Rules 59 and 67	Even though a survey of the area of authority of the Sabha should be conducted and prepare a list of industries and places of trading

including the decreases and increases thereof before 31 March of the respective year in terms of Section 150 (1) of the Pradeshiya Sabha Act, No. 15 of 1987 such list had not been prepared.

(b) Notification Published in the Gazette No. 1528/21 of the Democratic Socialist Republic of Sri Lanka dated 19 December 2007

Even though the Chairman should not use fuel exceeding the monthly limit of 400 litres he had used 1,381 litres of fuel valued at Rs.102,748 exceeding such limit in the year under review.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 396

Action had not been taken on 06 cheques valued at Rs.47,063 issued in the year 2008 from the Pradeshiya Sabha Current Account No. 232-1-001-2-7744487 and remaining without being presented for payment.

(ii) Financial Regulation 756

A Board of Survey of the Pradeshiya Sabha Office, the Library and the Ayurveda Dispensary affiliated thereto in respect of the year 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.3,761,897 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.983,893 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.

Revenue Item	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Cumulative Arrears as at 31 December	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	13	18	--	686	28	--
(ii) Lease Rents	5,759	7,046	914	4,001	4,970	433
(iii) Licence Fees	944	622	--	1,357	736	--
(iv) Other Revenue	19,949	13,558	3,714	15,100	12,027	14,489

2:2:2 Meat Stall Rents

Action had not been taken for the recovery of arrears of meat stall rents amounting to Rs.310,008 relating to 05 years from 2003 to 2009.

2:2:3 Trade Stall Rents

Action had not been taken for the recovery of the trade stall rents older than 01 year amounting to Rs.301,537.

2:2:4 Courts Fines

Courts fines amounting to Rs.2,313,183 collected under various Ordinances by a Magistrate's Court up to 31 December 2010 and remitted to the Provincial Commissioner of Revenue remained receivable by the Sabha.

2:2:5 Stamp Fees

Stamp fees recoverable as at 31 December 2010 from the Registration General had not been computed and recovered.

2:2:6 Other Revenue

Action had not been taken to identify and recover the unidentified other revenue amounting to Rs.1,290,000.

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		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
<u>Recurrent Expenditure</u>	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal Emoluments	14,216	10,509	3,707	13,222	10,295	2,927
Others	7,143	6,973	170	7,859	6,482	1,377
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Sub-total	21,359	17,482	3,877	21,081	16,777	4,304
Capital Expenditure	2,600	9,693	(7,093)	6,490	17,020	(10,530)
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Grand Total	23,959	27,175	(3,216)	27,571	33,797	(6,226)
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2:5 Human Resources Management

2:5:1 Approved and Actual Cadre

Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

	<u>Category of Employees</u>	<u>Approved</u>	<u>Actual</u>
(i)	Staff Grade	02	01
(ii)	Secondary Grade	06	06
(iii)	Primary Grade	20	45

2:5 Assets Management

2:5:1 Idle and Underutilized Physical Resources

The following observations are made.

- (a) The motor cycle No. 108 SRI 1706, the period of acquisition by the Sabha is not known had been idling over a number of years.
- (b) A stock of barrels of bitumen valued at Rs.400,000 purchased in the year 2005 remained deteriorating in the Pradeshiya Sabha premises had not been used.
- (c) The cement block production machine purchased for RS.17,000 in the year 2007 had been idling without being used.

2:5:2 Accounts Receivable

The value of the balances of Accounts Receivable older than 01 year as at 31 December 2010 amounted to Rs.656,600.

2:6 Operating Inefficiencies

A bakery using the rice flour production machinery had been started in the year under review and a sum of Rs.551,363 had been spent from October to December 2010 for the purchase of required raw materials and salaries of employees. Nevertheless, the revenue earned from the sale of products amounted to Rs.363,639 and resulted in an operating loss of Rs.187,724. Therefore the planned operations had not been successful.

2:7 Apparent Irregularities

Even though a stock of 300 receipt books had been printed in the year 2010 at a cost of Rs.15,800 for the collection of motor vehicle parking fees at the Somawathiya Sacred City, the parking fees collected on those receipt books had not been received by the Sabha. Those receipt books were not available at the

audit inspection carried out on 08 February 2010. There was no evidence of receiving, taking over or issue of those receipt books by the Sabha.

2:8 Transactions not Supported by Adequate Authority

A sum of Rs.28,000 had been spent from Sabha Fund in the year under review to felicitate the senior citizens in the area of authority of the Sabha without the prior approval of the Minister in terms of the provisions of Section 132(j) of the Pradeshiya Sabha Act, No. 15 of 1987.

2:9 Performance

(a) Absence of a Corporate Plan and an Action Plan

- (i) A Corporate Plan embodying the action to be taken in the ensuing years in connection with the functions devolved on the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act, No. 15 of 1987 had not been prepared in terms of paragraph 5(I) of Circular No. PF/R/2/2/3/5(4) of 10 March 2010 of the General Treasury.
- (ii) An Action Plan (Financial and Physical) for the proper management of the financial, human and physical resources aimed at the achievement of the objectives of the Sabha had not been prepared for the year under review.

- (b) According to the annual budget, the self generated revenue for the year 2010 amounted to Rs.26,655,180 while the revenue collected amounted to Rs.21,243,748 or 80 per cent.

2:10 Internal Audit

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

03. Systems and Controls

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration

- (d) Assets Control
- (e) Debtors and Creditors Control