

Panadura Pradeshiya Sabha

Kalutara District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 21 March 2011 and the financial statements for the preceding year had been presented on 18 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 Panadura 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 Panadura 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) A difference of Rs.18,453 between the Fixed Assets Account and the Revenue Contribution to Capital Outlay Account appears since the year 2006.
- (b) The value of the fixed assets purchased in the year under review amounting to Rs.490,759 had not been capitalized.
- (c) The library books of 02 Lending Rooms closed down in the year under review valued at Rs.95,632 handed over to the Keselwatta Sub-office had been brought to account as the purchased if that library. As such the

balance of the library Books Account and the Revenue Contribution to Capital Outlay Account had been overstated by that amount.

- (d) Even though the cumulative balances of the stocks of the General Stores and the Electrical Stores as at the end of the year had been shown in the accounts as Rs.2,462,182 and Rs.981,639 respectively the value of the physical balances thereof amounted to Rs.785,536 and Rs.384,012 respectively.
- (e) Provision had not been made in the accounts for the sum of Rs.14,061,213 payable to the Lanka Electricity Company (Private) Ltd., Kalutara on account of lighting of street lamps from May 2008 to December 2010.
- (f) Even though the expenditure incurred from November 2007 to December 2010 on the construction of the Wadduwa Crematorium amounted to Rs.12,934,382 a sum of Rs.1,450,000 only had been computerized.
- (g) The advance of Rs.538,576 paid in April 2010 for the construction of the burner room of the Wadduwa Crematorium had been posted under the expenditure on equipment instead of posting under the prepayments.
- (h) Provision had not been made for a sum of Rs.6,949,644 payable to the works creditors in the year under review.
- (i) The total of balances of staff loans of 15 employees as at the end of the year under review had been understated by a sum of Rs.398,800 while the total of the balance of staff loans of 02 employees had been overstated by a sum of Rs.12,000 in the accounts.

1:3:2 Unreconciled Control Accounts

The balances of 07 items of account according to the financial statements totalled Rs.57,440,139 whereas according to the related schedules and the letters of confirmation of balances furnished by the Sub offices, those balances totalled Rs.53,197,552, thus indicating a difference of Rs.4,242,587.

1:3:3 Accounts Payable

The balances of accounts payable as at 31 December 2010 amounted to Rs.24,002,409.

1:3:4 Lack of Evidence for Audit

Non – submission of Information to Audit

Transactions totalling Rs.18,172,856 could not be satisfactorily vouched in audit due to the non – submission of required to audit.

1:3:5 Non-compliance with Laws, Rules, Regulations etc.

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

Reference Regulations to Laws, Rules, Regulations etc.	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- Financial Regulation 396(d)	According to the Bank Reconciliation Statement of the Current Account with the Bank of Ceylon prepared as at 31 December 2010, action in terms of the Financial Regulation referred to had not been taken on 09 cheques valued at Rs.10,395 issued but not presented for payment for over 06 months.
(b) Paragraph 2 of Circular No. LG/05/2004 dated 09 July 2004 of the Commissioner of Local Government	Security deposits had not been obtained from any of the officers who are entrusted with the custody of all categories of property such as cash, equipment and stores and those collecting revenue.
(c) Circular No. / /2/9/97 dated 19 August 1997 of the Western Provincial Commissioner of Local Government.	Contrary to the provisions of the Circular referred to, the officers who are entitled to uniform had been paid Rs.374,500 in cash instead of supplying uniforms.

1:3:6 Unsettled Accounts

- (a) The balances brought forward over a long period without being settled as at 31 December 2010 totalled Rs.24,002,409 .
- (b) A sum of Rs.400,000 had been paid in the year under review to the Local Government Services Pension Fund and the amount further due for payment as at 31 December 2010 to Rs.5,984,746.

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. 68,555,868 as compared with the corresponding excess of revenue over the recurrent expenditure amounting to Rs.49,475,353 for the preceding year.

2:2 Financial Control

Favourable variances ranging from 24 per cent to 352 per cent were observed between the estimated and the actual revenue and expenditure under 03 items of revenue and 05 items of expenditure while an adverse variance of 297 per cent was observed in an item of revenue. Thus it was observed that the budget had not been made use of as an effective instrument of control during the year under review.

2:3 Revenue Administration

2:3:1 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	2010			2009		
	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	14,698	9,259	14,719	16,030	8,045	20,179
(ii) Lease Rents	2,149	919	3,339	3,220	1,998	2,361
(iii) Licence Fees	1,586	1,320	950	1,749	1,266	1,445
(iv) Other Revenue	3,172	2,857	1,833	14,385	6,749	1,530
(v) Government Grants, Provincial Council Grants, Maga Neguma	7,040	3,522	3,518	13,277	4,646	8,631

2:3:2 Collection of Arrears of Revenue

The following observations are made.

- (a) The arrears of rates, rents and trade licence fees as at 31 December 2010 amounted to Rs.27,136,711 and out of that Rs.14,887,257 remained recoverable from the area of authority of the Keselwatta Sub-office.
- (b) The arrears trade stall rents of 26 out of 42 open air trade stalls at the Public Market at Henemulla in the area of authority of the Keselwatta Sub-office remaining from the year 2005 amounted to Rs.768,187 while arrears of meat stall rents remaining over a number of years amounted to Rs.1,818,993.

2:3:3 Courts Fines

Courts fines amounting to Rs.31,366,679 collected by two Magistrates' Courts up to 31 December 2010 under various Ordinances remained receivable by the Sabha.

2:3:4 Stamp Fees

Stamp fees amounting to Rs.53,748,350 remained receivable as at 31 December 2010 from the Registrar General.

2:4 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	<u>2010</u>			<u>2009</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent Expenditure</u>						
Personal Emoluments	55,485	57,221	(1,736)	49,396	53,654	(4,258)
Others	54,404	24,901	29,503	49,433	21,041	28,392
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Sub-total	109,889	82,122	27,767	98,829	74,695	24,134
Capital Expenditure	37,275	40,961	(3,686)	40,875	60,350	(19,475)
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Grand Total	147,164	123,083	24,081	139,704	135,045	4,659
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2:5 Human Resources Management

 Approved and Actual Cadre

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

Category of Posts	Approved	Actual
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Staff	01	01
Secondary Staff	49	41
Primary Staff	159	155
Other (Casual Temporary)	--	11

2:6 Assets Management

2:6:1 Accounts Receivable

The value of the balances of accounts receivable as at 31 December 2010 amounted to Rs.114,111,764.

2:6:2 Staff Loans Recoverable

The balances of staff loans and advances recoverable as at 31 December 2010 totalled Rs.18,123,578.

2:7 Irregular Transactions

Planning Committee Meetings and Payment of Allowances

- (a) According to paragraph 13 of the Circular No. LGD/05/04 /MPC dated 15 December 2004 of the Commissioner of Local Government (Western Province) the membership of the Planning Committee should be limited to 05 members. Even though 05 members had been nominated to the Planning Committee, in addition to those members, an allowance of Rs.188,700 had been paid to the Chairman, Vice Chairman, the Officer in charge and the Karyala Karya Sahayaka in the year 2010.
- (b) Either the Works Superintendent or the Technical Officer should participate in the Planning Committee meetings. The number of Technical Officers can be increased in view of the nature of the development works by obtaining the approval of the Urban Development Authority by presenting the reasons therefore. Nevertheless both in Works Superintendent and the Technical Officer had participated in the Planning Committee without obtaining such approval. As such the payment of Rs.142,500 paid to one of those two officers in the year 2010 had become an overpayment.

2:8 Operating Inefficiencies

- (a) The Sabha had declared 842 roads belonging to the Sabha by notification published in the Gazette dated 01 October 1994. The roads acquired belonging to the sabha subsequent to that date had not been published in the Gazette in terms of Section 21(2) of the Pradeshiya Sabha Act, No. 15 of 1987. The Sabha had not identified the roads belonging to the Sabha by their nature and recorded in a roads.
- (b) The Sabha had not maintained a register to record the complaints received by the Sabha in connection unauthorized construction or the unauthorized construction identified by the Sabha. As such it was not possible to ascertain in audit about the action taken on the unauthorized construction identified or reported. Two files had been opened in that connection in the year 2010 and other than the letters sent with instructions to stop the construction work no other action had been taken thereafter.
- (c) A retired Public Health Inspector had been recruited with effect from 01 March 2008 at a monthly allowance of Rs.10,000 in accordance with the Sabha decision dated 31 January 2008 for the supervision of the garbage disposal work in the Keselwatta area. A sum of Rs.340,000 had been paid for the services rendered up to December 2010. The following observations are made in this connection.
 - (i) The formal approval of the Commissioner of Local Government had not been obtained for the appointment of the officer.
 - (ii) According to the list of duties of this officer; a Works Overseer and Public Health Inspectors had bee attached to the Keselwatta Sub-office to attend to such work.
 - (iii) The services of this officer had been obtained even after entrusting the garbage disposal work of the Sabha to the Karadigana Garbage Disposal Centre in July 2010.

2:9 Contract Administration

 Completion of the Balance Work of the First Floor of the Keselwatta.

Library Building (Stage G)

An agreement had been entered into with the Pragathi Rural Samurdhi Corps for the completion of the above work at a total cost estimate of rs.672,584 and the supervision of the work had been entrusted to the Regional Engineer.

The following observations are made in this connection.

- (j) The building had been constructed under several stages and plans had not been submitted for the work done under each stage.
- (ii) The agreement signed by the Sabha with the contractor for the above stage had been incomplete as the date of completion of the Project, under clause 03, the liquidated damages recoverable for delays under clause 04 and the date of the agreement had not been stated in the agreement.
- (iii) The following items valued at Rs.56,081 included in the recommendation made by the Regional Engineer in the undated final payment report for Rs.666,227 had not been completed even by 15 February 2011, the date of audit.

Work Item Number	Particulars	Number of Units	Quantity	Amount
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				Rs.
6	Fixing on stainless steel sink	Item	01	5,150
7	Fixing Wash Basins with red model	Item	04	32,760
10	Painting of Doors	Squares	6.56	18,171

				56,081
				=====

3. 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