

Pathahewaheta Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been presented for audit on 07 June 2011 and the Financial Statements for the preceding year had been presented for audit on 19 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 Pathahewahata Pradeshiya Sabha Presented for audit for the year ended 31 December 2010.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) A sum of Rs. 128,950 that should be paid to Community Finance Organization in respect of the year 2008 had been shown under receipts in advance without being deducted from the Community Water Project Account.

- (b) The estimated amount of Rs. 285,404 for the construction of a water tank of Hantana Galaha water scheme for which payments had been stoped due to the failure of that scheme in the year 2005, had been shown under work creditors. As a result work creditors had been overstated by that amount.

- (c) Sixty Seven blocks of lands and buildings shown in the fixed assets register and forty eight blocks of land not entered in that register had not been assessed and the value had not been capitalized under fixed assets.
- (d) Two motor cycles received by the Sabha in the year 2006 had not been valued and accounted for under motor Vehicles and Carts account.
- (e) Action had not been taken to reimburse or to make adjustments in the accounts a sum of Rs. 3,092,401 relating to 54 projects shown as work debtors of 05 contracts for the period 2003 to 2008.

1.3.2 Unreconciled Control Accounts

According to Control Accounts relating to 05 items of accounts, balances totalled Rs.15,778,453 where as according to subsidiary registers/reports, account balances totalled Rs.16,368,842.

1.3.3 Accounts Payable

The value of the account balances payable, remained for over a period of 01 year as at 31 December 2010 was Rs.8,282,031.

1.3.4 Non-compliance

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

**Reference to Laws, Rules, Regulations and
Management Decisions**

Non-compliance

(a) Financial Regulation Code of
Republic of Sri Lanka

(i) F.R.396(d)

Action had not been taken in respect of 11 cheques to the value of Rs.5,791 which had been lapsed for over 06 months.

(ii) F.R. 485(4)

Even though loan balances of officers who had been transferred out should be get down from the institutions concerned, action had not been taken accordingly in respect of loan balances of Rs. 83,634 which are being carried forward since the year prior to 2008.

(b) Paragraph 04 of Chapter xxiv of
Establishment Code of Republic of Sri
Lanka

Even though outstanding loan of the officers / employees who died should be recovered from their death gratuity or sureties, action had not been taken to recover 02 loan balances of Rs. 18,790 which had been carried forward since the year 2008.

(c) Circulars

Public Finance Circular No. PP/437 of
18 September 2009.

All the government and Semi Government institutions should obtain general insurance coverages only from the National Insurance Trust Fund or Sri Lanka Insurance Corporation according to their requirements. But 02 vehicles of the

Sabha had been insured in respect of the year 2010 and a sum of Rs. 78,609 had been paid to a private insurance company contrarily.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the revenue of the Sabha over the recurrent expenditure for the year ended 31 December 2010 was Rs.18,259,546 and the corresponding revenue over the recurrent expenditure for the preceding year was Rs.11,580,665.

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.

Revenue Item	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
(i) Rate and Tax	2,662	2,484	178	2,772	1,173	3,927
(ii) Lease Rent	3,324	2,562	762	1,022	530	1,709
(iii) Licence Fees	1,667	1,148	519	1,116	1,100	15
(iv) Other Income	18,778	22,071	(3,293)	12,642	14,883	11,884

2.2.2 Court Fines

Court Fines of Rs. 460,658 collected by a Magistrate Courts up to 31 December 2010 under various Ordinances and remitted to the Chief Secretary had remained as receivable to the Sabha.

2.2.3 Stamp Fees

Stamp fees of Rs.12,747,875 had remained as receivable from the Registrar General as at 31 December 2010.

2.2.4 Environment Licence Fees

Revenue of Rs. 169,400 had not been gained from 22 business premises from where environment licence should be obtained for the year 2010.

2.2.5 Trade Stall Rent

Action had not been taken to recover lease rent as per the agreement in that the outstanding stall rent as at 31 December 2010 stood at Rs. 2,231,725.

2.2.6 Water Charges

Action had not been taken to recover water charges as per the agreement in that the outstanding water charges as at 31 December 2010 stood at Rs. 4,619,929.

2.2.7 Rates and Acreage Tax

Action had not been taken in terms of Section 158(1) and 159(1) of Pradeshiya Sabha Act No. 15 of 1987 to recover outstanding rates and acreage tax amounting to Rs. 4,864,484 remained as at the end of the year under review..

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.

<u>Item of expenditure</u>	<u>2010</u>			<u>2009</u>		
	Estimated ----- Rs. '000	Actual ----- Rs. '000	Variance ----- Rs. '000	Estimated ----- Rs. '000	Actual ----- Rs. '000	Variance ----- Rs. '000
<u>Recurrent Expenditure</u>						
Personal Emoluments	22,816	21,170	1,646	22,299	19,965	2,334
Other	9,299	5,571	3,728	8,835	5,261	3,574
Sub Total	----- 32,115	----- 26,741	----- 5,374	----- 31,134	----- 25,226	----- 5,908
Capital Expenditure	36,834	29,813	7,021	34,145	14,521	19,624
Grand Total	----- 68,949	----- 56,554	----- 12,395	----- 65,279	----- 39,747	----- 25,532
	=====	=====	=====	=====	=====	=====

2.4 Human Resource Management

Approved and Actual Cadre

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

Category -----	Approved -----	Actual -----
Staff	03	02
Secondary	30	22
Primary	48	38
Other Casual/ Temporary)	--	23

2.5 Assets Management

2.5.1 Accounts Receivable

The value of accounts balances receivable as at 31 December 2010 was Rs.27,685,135 and the account balances remained for over a period of 01 year totalled Rs.4,571,345.

2.5.2 Staff Loans Recoverable

The staff Loan Advance balances recoverable as at 31 December 2010 totalled Rs.3,000,147 and the outstanding account balances remained for over a period of 01 year totalled Rs. 21,990.

2.6 Identified Losses and Damages

Audit test checks carried out and according to informations maintained by the Sabha losses and damage to the value of Rs. 143,672 had been revealed.

(a) Board of survey carried out in the year 2009 in respect of libraries belonging to the Sabha revealed a shortage of 1104 library books to the value of Rs. 139,026. Action had not been taken to hold inquiries in this regard and to recover this losses.

(b) A surcharge of Rs. 892 had been paid in the year under review due to non – payment of contribution to the Employees Trust Fund before due date.

(c) A surcharge of Rs. 3,754 had been paid in the year under review due to delays in monthly payment to Employees Provident Fund.

2.7 Operating Inefficiencies

(a) According to creditors register and other documents maintained by the Sabha, a sum of Rs. 4,435,285 had not been paid to the Director General of Pension from the year 2006 to 2008 and it is being carried forward.

- (b) Action had not been taken to settle or to take in to Government revenue the retention money of Rs. 437,696 allocated under work creditors in the years 2003, 2004 and 2005.
- (c) Action had not been taken to refund or take in to revenue of the Government the security of Rs. 6,130 placed in respect of environment application which in being carried forward since 2003 under refundable deposits.

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 Control.

- (a) Accounting
- (b) Internal Audit
- (c) Revenue Administration
- (d) Stock Control
- (e) Debtors and Creditors Control
- (f) Staff Loan Control