

Pujapitiya 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 31 March 2011 and the Financial Statements for the preceding year had been presented for audit on 31 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 Poojapitiya 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, give a true and fair view of the state of affairs of the Poojapitiya Pradeshiya Sabha as at 31 December 2010 and the Financial Results of its operations.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a) Even though cash in hand as at 31 December 2010 amounting to Rs. 92,155 should be disclosed under Note 08 to the balance sheet as cash in the hand of officers, it had been shown under cash book balance.

- (b) Provision for creditors had not been made in respect of Sabha contribution of Rs. 3,058,755 payable to the Second Community Water Supply Project as at the end of the year under review.
- (c) A sum of Rs. 16,958 deposited as employees securities as at 31 December 2010 had not been accounted for.
- (d) Even though the Local Loan and Development Fund loan as at 31 December 2010 was Rs. 554,674, a sum of Rs. 241,604 had only been accounted for under loan capital in that the loan balance of the Fund had been understated by Rs. 313,070.
- (e) Accounting for recovery of salary over paid had been done through journal entry 41 and a sum of Rs. 12,512 had been debited to other revenue account in that other revenue had been understated by that amount.

1.3.2 Unreconciled Control Accounts

According to Control Accounts relating to 02 items of accounts, balances totalled Rs. 581,827 whereas according to subsidiary registers, account balances totalled Rs. 521,824.

1.3.3 Accounts Payable

The value of account balances payable remaining for over a period of 01 year as at 31 December 2010 was Rs. 269,804.

1.3.4 Lack of Evidence for Audit

Non - rendition of Information for Audit

Transactions totalling Rs. 37,782,123 could not be satisfactorily vouched or accepted due to non - availability of required information for audit.

1.3.5 Non-compliance

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

| Reference to Laws, Rules Regulations and Management Decision. | Non-compliance |
|--|--|
| ----- (a) Land Act. Section 27 | ----- Ownership of 07 blocks of land valued at Rs. 272,945 had not been established. |
| (b) <u>Financial Regulations of Democratic Socialist Republic of Sri Lanka</u> F.R. 1645 | Running charts for the years 2008 and 2009 relating to 05 vehicles belonging to the Sabha had not been forwarded to audit. |
| (c) Circular No. APC/1/PSGD/2002 dated 06 March 2003 of the Secretary to the Finance Commission. | A sum of Rs. 225,250 had been spent out of works administrative expenses for vehicle repairs and paper advertisements in 03 instances. |
| (d) Circular No. CPC/CS/06/06/02 dated 11 April 2004 of the Chief Secretary of Central Province. | Action had not been taken to obtain securities of Rs. 20,000 from each of the 06 officers who should place securities. |

2. Financial and Operating Review

2.1 Financial Result

According to the financial statements presented, the revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 was Rs. 2,321,905 and the corresponding revenue over recurrent expenditure for the preceding year was Rs. 1,109,674.

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.

| Items 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 |
| (i) Rates and Taxes | 1,130 | 1,129 | 759 | 1,019 | 1,163 | 615 |
| (ii) Lease Rent | 1,971 | 857 | 1,430 | 1,670 | 1,206 | 536 |
| (iii) License fees | 991 | 1,142 | 136 | 927 | 1,079 | - |
| (iv) Other Income | 22,089 | 18,146 | 6,775 | 23,980 | 17,008 | 19,304 |

2.2.2 Court Fine

Court fines of Rs. 114,998 recovered by 02 Magistrate Courts under various Ordinances up to 31 December 2010 and remitted to the Provincial Commissioner of Revenue remained as receivable to the Sabha.

2:2:3 Stamp Fees

Stamp fees of Rs. 2,665,218 had remained as receivable from the Registrar General as at 31 December 2010.

2.2.4 Lease Rent

Action had not been taken even as at 31 December 2010 to recover lease rent of Rs. 141,503 from 03 lessees since the year 2008 in terms of the agreement entered into.

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 | 16,182 | 13,395 | 2,787 | 15,452 | 14,237 | 1,215 |
| Other | 5,986 | 5,556 | 430 | 6,559 | 5,109 | 1,450 |
| Sub Total | 22,168 | 18,951 | 3,217 | 22,011 | 19,346 | 2,665 |
| Capital Expenditure | 48,300 | 36,844 | 11,456 | 27,070 | 34,415 | (7,345) |
| Grand Total | 70,468 | 55,795 | 14,673 | 49,081 | 53,761 | (4,680) |

2.4 Non – utilization of Provisions

Provision of Rs. 782,000 had been made by the annual budget of the year 2010 for 07 expenditure items had entirely been saved without being utilized for the purposes concerned.

2.5 Human Resource Management **Approved and Actual Cadre**

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

| Grade | Approved | Actual |
|----------------------------|-----------------|---------------|
| ----- | ----- | ----- |
| Staff | 01 | 01 |
| Secondary | 24 | 18 |
| Primary | 22 | 18 |
| Other (Casual / Temporary) | 01 | 19 |

2.6 Assets Management

2.6.1 Idle and Underutilized Physical Resources

The following matters were observed.

- (a) Hundred and Fifteen units of electrical equipment to the value of Rs. 4,486 had been lying idle and underutilized since the year 2007.
- (b) The vehicle belonging to the Sabha bearing No. 49 – 0253 which had met with an accident on 23 October 2009 had been lying idle and kept in the garage even as at the date of audit , i.e. 10 May 2011.

2.6.2 Accounts Receivable

The value of account balances receivable as at 31 December 2010 was Rs. 1,522,559 and the account balances remaining for over a period of 01 year totalled Rs. 181,457.

2.6.3 Staff Loans Recoverable

- (a) Staff loan advance balances recoverable as at 31 December 2010 totalled Rs. 466,829 and the outstanding account balances remaining for over a period of 01 year totalled Rs. 26,490.
- (b) According to sub section 4.4 of Chapter xxiv of Establishment Code, loan balances to be recovered from dead officers should be recovered from death gratuities or sureties of them. Nevertheless, loan balances of Rs. 22,098 recoverable from a substitute driver who died about two years ago had remained unrecovered even as at the end of the year under review. Further, it was observed that this employee was not entitle for distress loan in terms of Sub- section 10.2 of chapter xxiv of Establishment Code.

2.7 Vehicle Utilization

The following matters were observed.

- (a) According to instructions laid down in paragraph 9.3.1(b) of Government Tender Procedure Guide Line – 2006, prior, approval of the Minister concerned should be obtained for vehicle repairs over Rs. 100,000. However, the tractor belonging to the Sabha bearing No. 252-6528 had been repaired at a cost of Rs. 180,250 without such approval.

- (b) Even though the insurance coverage of the backhoe of the Sabha bearing No. CPGA 7199 had expired on 17 March 2010, an insurance coverage had not been obtained from that date even up to 10 May 2011.

2.8 Identified Losses and Damages

The following matters were observed.

- (a) A surcharge of Rs. 2,200 had to be paid due to action being taken contrary to instruction laid down in Employees Provident Fund Act No. 15 of 1958.
- (b) Reconnection charges amounting to Rs. 11,760 had been paid due to failure of paying water bills of the public latrine, Welekade.

2.9 Transactions not Supported by Adequate Authority

Even though grants not exceeding one thousand rupees could be given in an year for social welfare development activities of public interest in terms of Section 132(J) of Pradeshiya Sabha Act. No. 15 of 1987, a sum of Rs. 77,176 had been paid without the approval of the Minister concerned.

2.10 Operating Inefficiencies

Reimbursement of Rs. 165,130 for the period year 2007 to 2010 had not been made in respect of maintenance of street lamps.

2.11 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) Revenue Administration
- (c) Debtors and Creditors Control
- (d) Stock Control
- (e) Vehicle Control

