

Thirappane Pradeshiya Sabha
Anuradhapura District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial statements of the year under review and the preceding year had been presented to audit on 01 August 2011 and 26 August 2010 respectively.

1.2 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Thirappane Pradeshiya Sabha for the year ended 31 December 2010.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies adopted by the Sabha in the preparation of financial statements had not been disclosed.

1.3.2 Accounting Deficiencies

A summary of accounting deficiencies existed in the financial statements and the effects on the financial statements there from is given below.

Nature of Deficiency	No. of Items	Effects on Financial Statements			
		Revenue	Expenditure	Liabilities	Assets
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Omissions from financial statements	01	-	-	Not computed	-
- do -	01	-	-	-	185
(b) Under statements in the financial statements	03	-	17	-	-
(c) Over statements in the financial statements	03	294	-	-	-

(d) Inappropriate disclosures in the financial statements	02	-	-	-	60
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1.3.3 Un-reconciled Accounts

 The total balances relating to 09 items of accounts according to the financial statements amounted to Rs.4,093,713 where as according to the subsidiary books/records the total of such account balances amounted to Rs.2,026,716.

1.3.4 Unexplained Differences

 According to the financial statements as at the last date of the year under review the balance of the fixed deposit in the bank of Ceylon amounted to Rs.28,000 whereas according to the confirmation of balances letter the value of the fixed deposit amounted to Rs.24,744. The difference had not been explained.

1.3.5 Accounts Payable

 Local government employees contributions of Rs.403,454 payable to the Department of Pensions as at 31 December 2010 had not been disclosed in the financial statements and the particulars of the officers those who were payable the contributions and the period of service in the Pradeshiya Sabha had not been established.

1.3.6 Lack of Evidence for Audit

 Transactions totalling Rs.2,405,746 could not be satisfactorily vouched/verified in audit due to non-rendition of required information for audit.

1.3.7 Non-compliances with Laws, Rules and Regulations.

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

Reference to Laws, Rules Regulations
 etc.

Non-compliance

 (a) Inland Revenue
 Act No. 10 of 2006
 Section 154

 Even though 5% withholdings tax on the specific fees of Rs.50,000 per mensum or Rs.500,000 per annum should be recovered and remitted to the Commissioner General of Inland Revenue, withholdings tax amounting to Rs.72,024 had not been recovered from payments made during the year under review, in excess

of the above limit.

- (b) Financial Regulation of the Republic of Sri Lanka 571 General deposit of Rs.33,500 remained for more than 2 years had not been settled.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the recurrent expenditure over income of the Sabha for the year ended 31 December 2010 amounted to Rs.106,638 as against the income over recurrent expenditure for the preceding year amounting to Rs.380,107.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Item 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
Rates & Taxes	400	312	167	245	852	100
Lease Rent	500	587	471	573	504	378
License Fees	780	476	84	780	456	86
Other Income	2,000	7,095	1,276	1,076	2,125	1,828

2.2.2 Court Fines

Fines amounting to Rs.230,997 recovered by 2 Magistrate's Courts under various Ordinances and remitted to the Provincial Commissioner of Revenue were due to the Sabha as at 31 December 2010.

2.2.3 Stamp Fees

Stamp fees of Rs.557,610 were receivable to the Sabha from the Registrar General as at 31 December 2010.

2.2.4 Beef Stall Rent

In terms of Circular No. LG/3 dated 30 September 1989 of the Commissioner of Local Government 1/3 of the annual rented should be recovered at once and the balance money should be recovered in 6 equal installments. Nevertheless the outstanding rent recoverable from Sandapagama beef stall as at 31 December 2010 amounted to Rs.21,670 as it had been so done.

2.2.5 Trade Stall Rent

The outstanding rent receivable as at 31 December 2010 in renting out the trade stalls of of the Sabha amounted to Rs.512,287 and it was observed that the outstanding rent had been ranged from 01 to 08 years. An adequate steps had not been taken to recover these outstanding in terms of Section 159 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.6 License Fees

Any person can be authorized to use a place to manufacture trade or distribute goods or services within the area of authority, only if that person has obtained a license issued by the Pradeshiya Sabha in terms of Section 147 of the Pradeshiya Sabha Act No. 15 of 1987. Nevertheless, a sum of Rs.83,850 was receivable as at 31 December 2010 from 11 persons who had utilized places for such purposes. It indicates that they had used these places without obtaining such licenses.

2.3 Expenditure Structure

The budgeted 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	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal Emoluments	7,000	6,877	123	7,836	6,524	1,312
Others	2,000	1,703	297	1,740	2,229	(489)
Sub Total	9,000	8,580	420	9,576	8,753	823
Capital Expenditure	15,000	24,819	(9,819)	13,600	11,703	1,897

Grand Total	24,000	33,399	9,399	23,176	20,456	2,720
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2.4 Human Resource Management

(a) Approved and Actual Cadre

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

Grades of Employees	Approved	Actual
Staff	01	01
Secondary	04	05
Primary	20	19
Others (Casual/ Temporary)	-	03
Total	25	28

(b) A sum of Rs.113,000 had been paid to a Technical Officer as salaries during the year under review recruited in excess of the limit approved by the Department of Management Services.

2.5 Assets Management

2.5.1 Idle Physical Resources

Even though a sum of Rs.1,475,990 had been spent up to 31 December 2009 to commence a rice flour related bakery product project, the relevant asset had become idle as that project had not been commenced.

2.5.2 Outstanding Staff Loans

The total loan advances recoverable as at 31 December 2010 amounted to Rs.652,438 out of which the total outstanding remained for more than one year amounted to Rs.5,461.

2.5.3 Unverified Assets

The value of assets computed on book values and not confirmed by board of survey reports as at 31 December 2010 amounted to Rs.16,819,483.

2.6 Transactions not Supported by Adequate Authority

Out of the ad-hoc sub imprest amounting to Rs.469,825 paid to officers during the years 2009 and 2010, sub-imprest of Rs.448,824 unsettled as at 31 December 2010 had been written off against the Accumulated Fund. Sanction of the Sabha Minister had not been obtained for this write off in terms of Section 182 of the Pradeshiya Sabha Act No. 15 of 1987.

2.7 Irregular Transactions

- (a) The prior approval of the Minister should be obtained to incur expenditure in excess of Rs.1,000 per annum in respect of holding festivals or religious, cultural, health, entertainment or educational purposes of common important in terms of Section 132 (a) of the Pradeshiya Sabha Act No. 15 of 1987. Without obtaining such approval, a sum of Rs.62,037 had been paid in 6 instances during the year under review.
- (b) Without following the Section 3.2.2 of the Government Procurement Guideline a sum of Rs.60,800 had been paid during the year under review in 4 instances in hiring a hand tractor for the disposal of garbage in the Galkulama Town.

2.8 Performance

In terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987, the corporate plan in comprising the activities to be performed in the future years relating to health, road and common utility services in the area of authority of the Pradeshiya Sabha and action plan to perform the activities expected to be implemented during the year under review had not been prepared and implemented.

2.9 Contract Administration

Projects not Implemented

The following 6 Gamaneguma Projects valued at Rs.2,450,000 planned to be implemented in the year 2010 had not been implemented by the Sabha.

Name of Work -----	Estimated Amount -----
	Rs.
i Construction of 525 Dematawewa by road with culverts	300,000
ii Reconstruction of 553 Meewellewa Eruwewa road	350,000

iii	Reconstruction of 540 Ittikattiyawewa road	300,000
Iv	Reconstruction of by road from 553 Dematawewa to Thirappane wewa	700,000
v	Water Scheme at Payrimaduwa	500,000
vi	Cover the access by road connected with the main road at Thirappane town with concrete	300,000

	Total	2,450,000
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2.10 Internal Audit

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

03. Systems and Controls

Special attention is drawn in respect of the following areas of control.

- (a) Accounting
- (b) Assets Management
- (c) Credit Control
- (d) Revenue Administration
- (e) Implementation of Projects