

**Thampalakamam Pradeshiya Sabha**

**Trincomalee 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 June 2011 and the financial statements for the preceding year had been presented for audit on 26 May 2010.

**1.2 Opinion**

So far as appears from my examination and to the best of my information and according to the explanations given to me, I am of opinion that, the Thampalakamam 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 the Generally Accepted Accounting Principles give a true and fair view of the state of affairs of the Thampalakamam Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following accounting deficiencies were observed.

- (a) Provision for depreciation of fixed assets had not been made from the inception of the Sabha.
- (b) The value of fixed assets amounting to Rs.11,940,612 at the end of the year under review had been shown in the balance sheet at book value. These assets had not been physically verified during the year.
- (c) The recovery of Rs.80,643 being the value of loss on library books had been directly credited to the library books account instead of being accounted through appropriate adjustments made in the ledger accounts.

**1.3.2 Accounts Payable**

Balances of accounts payable for over a period of 1 year as at 31 December 2010 amounted to Rs.8,294.

**1.3.3 Bank Accounts**

Information revealed at the analysis of adjustments shown in the bank reconciliation statements appear below.

<u>Particulars</u>	<u>No .of Instances</u>	<u>Age Analyses</u>	
		<u>Over 01 year less than 03 years Rs</u>	<u>Total Rs</u>
Cheques issued, but not presented for payments	04	7,793	7,793
	<del>04</del>	<del>7,793</del>	<del>7,793</del>

**1.3.4 Lack of Evidence for Audit**

**(a) Un – replied Audit Queries**

Reply for 01 audit query had not been furnished as at 31 December 2010 while the quantifiable value of transactions referred to in the audit query amounted to Rs.38,817

**(b) Non – rendition of Information for Audit**

Transactions valued at Rs.44,366 could not be satisfactorily vouched in audit due to non-availability of information required for audit.

**1.3.5 Non - Compliance**

Instances of non – compliance observed are given below.

**Reference to Laws, Rules, etc**

**Non-compliance**

- |    |  |   |
|----|--|---|
| a) | Section 134 of the Pradeshiya Sabha Act No. 15 of 1987 | Action had been taken to collect the assessment tax from 1987 up to end of the year under review. |
|----|--|---|

**b) Pradeshiya Sabha (Financial and Administrative) Rules of 1989**

- i) Section 16 (1) of Part II The Pradeshiya Sabha had not maintained a register of movable and immovable properties.
- ii) Section 5 (xi) of Chapter I Insurance coverage had not been obtained in relation to cash, stores etc.
- iii) Section 5 (xii) of Chapter I Adequate security deposits had not been obtained from officers who were entrusted with custody of cash, stores, etc.
- iv) Section 214 of Chapter XII The following items of stock had not been verified by a Board of Survey at the end of the year.
- i. Stamps
  - ii. Building application forms
  - iii. Old newspapers and magazines
- v) Section 217 of Chapter XII A register of land and buildings had not been maintained.
- c) Inland Revenue Act No. 10 of 2006 Withholding Tax totalling Rs.38,817 had not been recovered from the payments for construction works and goods purchased, contrary to Section 153 of the Inland Revenue Act No. 10 of 2006 and the letter of the Commissioner of Inland Revenue dated 12 October 2006.

**2. Financial and Operating Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs.10,304,139 as compared with the excess of recurrent expenditure over revenue amounting to Rs.3,382,274 of the preceding year.

**2.2 Revenue Administration**

**2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

The information with regard to the estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year, as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>2010</u>		<u>Accumulated Arrears as at 31 December Rs.</u>	<u>2009</u>	
	<u>Estimated Rs.</u>	<u>Actual Rs.</u>		<u>Estimated Rs.</u>	<u>Actual Rs.</u>
i) Rates and Taxes	6,554,380	4,374,853	2,179,527	6,892,000	3,478,541
ii) Licence Fees	380,000	419,548	-	522,500	288,241
iii) Other Revenue	3,551,500	99,943	3,436,556	2,327,700	7,741,458

### 2.2.2 Court Fines

Action had not been taken to recover court fines amounting to Rs. 8,446,254 collected and remitted to the Chief Secretary / Provincial Commissioner of Revenue up to 31 December 2010 by the Trincomalee Magistrate's Courts under various Ordinances. Court fines receivable by the Sabha had not been computed and accounted for.

### 2.3 Expenditure Structure

The budgeted and actual expenditure and the variances of the Sabha for the year under review and the preceding year are given below.

<u>Item of Expenditure</u>	<u>2010</u>			<u>2009</u>		
	<u>Budgeted Rs. 000</u>	<u>Actual Rs. 000</u>	<u>Variance Rs. 000</u>	<u>Budgeted Rs. 000</u>	<u>Actual Rs. 000</u>	<u>Variance Rs. 000</u>
<b><u>Recurrent Expenditure</u></b>						
Personal Emoluments	10,316	6,643	3,673	10,160	5,861	4,299
Other	7,930	12,684	(4,754)	10,227	7,023	3,204
Sub Total	<b>18,246</b>	<b>19,327</b>	<b>(1,081)</b>	<b>20,387</b>	<b>12,884</b>	<b>7,503</b>
Capital Expenditure	15,040	2,119	12,921	2,040	2,665	(625)
<b>Grand Total</b>	<b><u>33,286</u></b>	<b><u>21,446</u></b>	<b><u>11,840</u></b>	<b><u>22,427</u></b>	<b><u>15,549</u></b>	<b><u>6,878</u></b>

### 2.4 Human Resources Management

#### 2.4.1 Approved and Actual Cadre

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

<u>Category of Post</u>	<u>Approved</u>	<u>Actual</u>	<u>Shortage/ Excess</u>
Staff Grade	01	-	01
Secondary Grade	09	09	-

Primary Grade	13	08	05
Others (Casual / Temporary)	-	10	(10)
Total	<u>23</u>	<u>27</u>	<u>(04)</u>

## 2.5 Assets Management

### 2.5.1 Idle and Underutilized Physical Resources

Particulars of idle and underutilized physical resources revealed at audit test checks are given below.

<u>Item</u>	<u>No. of</u> <u>Items</u>	<u>Value</u> <u>Rs</u>
(a) Iron Server	01	} Not available
(b) Fax Machine	01	
(c) Computer Table	01	
(d) Photocopy Machine	01	

### 2.5.2 Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs.203,550 while the balances of accounts receivable for over a period of 01 year amounted to Rs.1,440

### 2.5.3 Staff Loans Recoverable

- (a) Balances of staff loans recoverable as at 31 December 2010 totalled Rs.2,825,315 while the balances outstanding for over a period of 01 year amounted to Rs.457,236.
- (b) Action had not been taken to recover the staff loan balances amounting to Rs.122,422 due from officers who had been transferred and who had vacated their posts.

### 2.5.4 Assets not Verified

The value of assets computed on book balances as at 31 December 2010 and not supported by physical verifications / board of survey reports amounted to Rs.11,940,612.

## **2.6 Vehicle Utilization**

The daily running charts of vehicles had not contained the necessary information such as purpose of trip, distance performed, overall performance per litre etc, and the monthly performance summary also had not been prepared.

## **2.7 Identified Losses and Damages**

Losses and damages revealed at audit test checks and according to the information maintained by the Sabha were valued at Rs.309,295.

## **2.8 Internal Audit**

An adequate internal audit had not been carried out at the Institution.

## **3. Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Assets Management
- (d) Stores
- (e) Revenue Administration
- (f) Register of Losses