

Galnewa Pradashiya Shabha
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 04 April 2011 and 06 April 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 Galnewe pradashiya shabha for the year ended 31 December 2010 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

A summary of accounting deficiencies existed in the financial statements and the effects of the financial statements are given below.

Nature of Deficiency -----	No of items -----	Effects on Financial Statements -----		
		Expenditure -----	Assets -----	Liabilities -----
		Rs.000	Rs.000	Rs.000
(a) Overstatements in the Financial Statements	01 01	- -	2,487 -	- 13,746
(b) Understatements in the Financial Statements -do-	03 01	- -	81 -	- 11,102
(c) Omissions from Financial Statements	04	-	765	-
(d) Inappropriate disclosures in the Financial Statements -do-	01 01	- 05	- -	13 -

1.3.2 Un-reconciled Accounts

Balances according to the financial statements relating to the four items of accounts amounted to Rs.4,335,428 whereas such balances according to the subsidiary books /records amounted to Rs. 4,180,828.

1.3.3 Lack of Evidence for Audit

As non – rendition of required information for audit, seven items of accounts totalling Rs.5,673,430 could not satisfactorily vouched / verified in audit.

1.3.4 Non-compliance with Laws, Rules and Regulations

Non –compliances with the following Laws, Rules and Regulations were observed in audit

Reference to Laws, Rules, Regulations and Managements Decisions	Non - compliance
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(a) Stamp Fees Special Provisions Act No. 10 of 2006	Stamp fees of Rs.39,921 recovered on various income of the Sabha had been retained in the deposit account without been remitted to the Commissioner General of Inland Revenue.
(b) Financial Regulation of the Republic of Sri Lanka	Primary and final investigations in respect of accident caused to motor vehicle belonging to the Sabha had not been carried out.
(i). 103(1), 164(1)	
(ii). 237 (b)	A sum of Rs.225,850 had been paid to supplies in 4 instances without getting a certificate of acknowledgement in making payments for the supply of stores.
(iii) 571	A tender deposit of Rs.46,870 relating to the year 2001 had not been taken to revenue.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent current expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.4,783 as compared with the revenue over recurrent expenditure for the preceding year amounting to Rs.817,365.

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 relating to the year under review and the preceding year presented by the Chairman are given below.

Item of Revenue	2010			2009		
	Estimated	Actual	Accumulated Arrears as at 31 Dec	Estimated	Actual	Accumulated Arrears as at 31 Dec
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
(a). Rates and Taxes	682	580	143	700	555	145
(b). Lease Rent	976	871	108	970	730	240
(c). License Fees	250	141	122	185	63	122
(d). Other Income	3,898	2,318	1,422	10,435	9,002	1,433

2.2.2 Court Fines

Action had not been taken to recover the fines amounting to Rs.959,434 recovered by a Magistrates Court up to 31 December 2010 under various Ordinances and remitted to the Chief Secretary.

2.2.3 Rates

In terms of Section 134 (1) of the Pradeshiya Sabha Act, No 15 of 1987, the areas for which the Sabha has provide facilities should be declared as developed areas. Action had not been taken to recover rates on the annual value of properties existed in those areas.

2.2.4 Trade License Fees

 In terms of Section 149,150 and 152 of the Pradeshiya Sabha Act No. 15 of 1987 a survey in respect of business, enterprises, industries and other enterprises within the area of authority should be conducted for the recovery of license fees and taxes. A system to recover taxes and license fees on annual values of those places had not been implemented.

2.2.5 Entertainment Tax

 An entertainment tax revenue amounting to Rs.134,797 due to the Sabha for the period prior to 31 December 2007 had not been recovered even by 31 March 2011.

2.3 Expenditure Structure

 The budgeted expenditure and the actual expenditure of the year under review and the preceding year along with the relevant variances are given below.

Item of Expenditure	2010			2009		
	Estimated	Actual	Variance	Estimated	Actual	Variance
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Recurrent Expenditure						
Personnel Emoluments	6,610	5,742	868	6,200	6,110	90
Others	8,527	4,007	4,520	5,800	5,362	438
Sub Total	15,137	9,749	5,388	12,000	11,472	528
Capital Expenditure	2,580	21,213	(18,633)	20,000	21,115	(1,115)
Grand Total	17,717	30,962	(13,245)	32,000	32,587	(587)

2.4 Human Resource Management

2.4.1 Approved and Actual Cadre

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

Grades of employees -----	Approved -----	Actual -----
(a). Staffs	01	01
(b). Secondary	05	04
(c). Primary	18	10
(d). Others (casual /temporary)	-	02
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Total	24	17
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2.5 Assets Management -----

2.5.1 Idle Physical Resources -----

Plant and equipment value at Rs.850,000 had been given to the Sabha in the year 2009 by the North Central Province Chief Ministry to commence a rice flour related bakery products project and a building there fore had also been allocated but such resources had become idle as that project had not been commenced.

2.5.2 Accounts Receivable -----

The total Accounts receivable balances as at 31 December 2010 Amounted to Rs.15,948,027 out of which accounts balances remained for more than 01 year totalled Rs.2,620,300.

2.5.3 Outstanding Staff Loans -----

Outstanding staff advances and loans balances as at 31 December 2010 totalled Rs.682,345.

2.5.4 Unverified Assets -----

The value of assets computed on book values as at 31 December 2010 and not confirmed by board of survey reports amounted to Rs.25,431,080.

2.6 Transactions not Supported by Adequate Authorities

The following observations are made.

- (a) Even though a sum of Rs.28,000 at Rs.300 per meeting had been paid to Pradeshiya Sabha members for participating in the meetings, provisions in terms of Pradeshiya Sabha Act No.15 of 1987 or rules approved by the Minister in charge of the subject of local authorities had not been made.
- (b) A sum of Rs.88,000 had been paid to a private institutions for the participation in a training program by the Vice-chairman held in Malaysia in the year 2010 but the approval of the Secretary to the Ministry in terms of Section 2.1 of chapter xv of the establishment code had not been obtained.

2.7 Irregular Transactions

Administrative expenses allocated for the Sabha in order to supervise the works done under Maganeguma, Gamaneguma programs can be paid to the officers only for holiday pay, overtime, combined allowances and travelling expenses. Nevertheless out of the provisions for administrative expenses received by the Sabha for the year 2009, a sum of Rs.15,500 had been paid to the officers without any base.

2.8 Operating Inefficiencies

The following matters were observed.

- (a) According to the board of survey reports in respect of the years 2008 and 2009, a shortage of 427 library books had been identified an action had not been taken to recover the loss by identifying the responsible officers.
- (b) As formal agreements had not been entered in to and none - ascertaining the security deposits in renting out trade stalls in the Galnewa common market, electricity bills valued at Rs.34,025 which evaded the payments by lessees of 2 stalls had been paid out of the Sabha Fund.

2.9 Performance

In terms of Section 3 of the Pradeshiya Sabha Act No.15 of 1987, a corporate plan, comprising the activities to be performed in the future years relating to health, roads and common utility services for the benefit and welfare of the people living in the area of authority of the Pradeshiya Sabha and an action plan to perform the activities expected to be implemented during the year under review had not been prepared and implemented. As such, it was observed that proper plans to perform the functions stated in the Act were not available.

2.10 Contract Administrations

As per Paragraph 56 of the construction contract guidelines of ICTAD Series No.5c 1, the payment should be made on measure and pay basis. Contrary to that a sum of Rs.1,322,701 had been paid to the contractor for works done under provincial specific road development for the year 2010 on machine hour rate basis.

2.11 Internal Audit

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

03. Systems and Controls

Special attention is drawn respect of the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Debtors Controls