

Habaraduwa Pradeshiya Sabha
Galle District

01. Financial Statements

1.1 Presentations 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 09 March 2010.

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 Habaraduwa Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

- (a) Accounting Policies that have followed by the Sabha had not been revealed in the financial statements.
- (b) A cash flow statement had not been prepared and forwarded along with the financial statements.

1.3.2 Accounting Deficiencies

The following Accounting Deficiencies were observed.

- (a) Although accounts had been prepared based on assets amounting to Rs.15,867,478 and liabilities amounting to Rs.2,051,705 decided to be vested to the Imaduwa Pradeshiya Sabha by the Habaraduwa Pradeshiya Sabha on the recommendations of Committee of Division on assets and liabilities, the relevant assets and liabilities had not been vested to the Imaduwa Pradesiya Sabha legally by a Gazette Notice even as at the date of audit on 06 June 2011.

- (b) The tender deposits amounted to Rs.21,140 had been deposited by Koggala free coast garden trade society. This had been entered twice as tender deposits and security deposits. The security deposit account (old) had been debited and deposit account had been credited erroneously in similar amount to correct this by Journal entry 04.
- (c) The tender deposit amounted to Rs.10,000 had been deposited by receipt No.32663 in the preceding year. This had been entered twice as tender deposits and 10% retention deposits. The 10% retention deposits had been debited and deposits account (old) had been credited erroneously in similar amount to correct this by Journal entry 05.
- (d) Although rates and rent income amounted to Rs.2,964,454, it had been stated in the financial statements as Rs.2,770,178 and the revenue of the year under review had been understated by Rs.194,276.
- (e) Although trade stall rent income of the year under review amounted to Rs.795,840, it had been stated in the financial statements as Rs.785,090 and revenue of the year under review had been understated by Rs.10,750.
- (f) Capital creditors in the financial statements had been overstated by Rs.1,375,274 due to providing provisions as at 31 December of the year under review in respect of two works for which payments had been made in the preceding year.

1.3.3 Unsettled Accounts

The necessary action had not been taken during the year under review to settle 03 balances of liabilities amounted to Rs.2,079,345 and a balance of asset amounted to Rs.642,933 which was being brought forwarded for more than 05 years.

1.3.4 Unreconciled Control Accounts

According to the control accounts, relating to 03 items of accounts balances aggregating Rs.1,982,972 whilst according to the subsidiary registers balance aggregating Rs.6,206,053 thus the deference was Rs.4,223,081.

1.3.5 Lack of Evidence for Audit

(a) Non-rendition of Information for Audit

Balances of Assets and liabilities totalling Rs.52,516,081 could not be satisfactorily vouched in audit due to non-availability of required information.

(b) Unreplied Audit Queries

Replies to 20 Audit queries had not been furnished up to 31 December of the year under review. The quantifiable value of transactions referred to in those Audit Queries amounted to Rs.21,583,693.

1.3.6 Non-compliance with Laws, Rules, Regulations etc.

Non-compliance observed in audit are given below.

Reference to Laws, Rules, Regulations etc.

Non-compliance

(a) Pradeshiya Sabha 1988 (Financial and Administrative) Rules

(i) Rule 180-184 Required security had not been obtained from the officers who are responsible for cash and stores of Sabha.

(iii) Rule 217 A register had not been maintained as per form P.S.46 in respect of lands and buildings owned by the Sabha.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (F.R)

(i) F.R.187 Action had not been taken as per financial regulation in connection with 04 dishonoured cheques amounting to Rs.6,216.

- (ii) F.R.262(2) Vouchers had not been stamped with the "PAID" stamp are initialled.
- (iii) F.R.702(3) Copies of signed agreements had not been furnished to the Auditor General.
- (iv) F.R.756 Board of survey had not been conducted in respect for the year under review.

02. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented the revenue over expenditure for the year ended 31 December 2010 amounted to Rs.8,475,818 as compared with the revenue over recurrent expenditure for the preceding year amounted to Rs.4,764,696.

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 preceding year as presented by the Chairman is given below.

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 and Taxes	1,972	3,244	3,965	2,111	18	3,677
Lease Rent	2,878	3,588	217	2,108	3,236	222
Licence Fess	1,334	566	01	2,064	757	05
Other Revenue	21,192	2,292	32,960	16,465	1,888	38,122

2.2.2 Court Fines

Fines amounting to Rs.867,413 collected and remitted to the Provincial Commissioner of Revenue up to 31 December 2010 by a Magistrates' Court under the various Ordinances were receivable by the Sabha.

2.2.3 Stamp Fees

A sum of Rs.20,000,000 was receivable as at 31 December 2010 from the Registrar General as stamp fees.

2.2.4 Rates and Acreage Taxes

- (i) Action had not been taken to recover rates and acreage taxes amounted to Rs.3,965,286 for the year under review and preceding years as per provisions of Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987.
- (ii) The lists relating to the defaulters of rates and taxes and distraining warrants had not been prepared as per Rule No.33 of (Financial and Administrative) Pradeshiya Sabha 1988.

2.3 Expenditure Structure

The budgeted and actual expenditure and the variances of the Sabha for the year under review and preceding year 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
Recurrent Expenditure						
Personal Emoluments	25,567	22,977	2,590	25,877	22,183	3,694
Others	20,990	10,342	10,648	17,728	12,846	4,882
Sub Total	46,557	33,319	13,238	43,605	35,029	8,576
Capital Expenditure	10,600	8,540	2,060	14,500	4,071	10,429
Grand Total	57,157	41,859	15,298	58,105	39,100	19,005

2.4 Surcharges

The value of recoverable 04 surcharges imposed by me under statutory provisions of Sections 172(3) of the Pradeshiya Sabha Act No.15 of 1987 as at 31 December of the year under review against the persons who are responsible amounted to Rs.6,692.

2.5 Human Resources Management

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

Grade of Employee	Approved	Actual
-----	-----	-----
Staff	02	04
Secondary	24	18
Primary	46	22
Others (Casual, Temporary)	-	78
	----	----
	72	122
	==	===

Although according to the Management Services Circular No.28 dated 10 April 2006, if recruitment done on the basis of permanent / temporary / casual / substitute / contract or any other basis, the prior approval of the Management Services Department should be obtained, without such approval 78 employees had been recruited on casual temporary, substitute and contract basis by the Sabha and were engaged to the service.

2.6 Contract Administration

Construction of Tourist Information Centre at Koggala Coast Garden

An estimate amounted to Rs.1,725,000 had been approved for above work. A sum of Rs.1,426,364 had been received at three instances from the Ministry of Economic Development and Ministry of Tourism. An agreement had been signed by the Sabha with Maliyagoda Rural Development Society on 25 November 2009 for the amount of Rs.1,426,470. The work had been completed in January 2011 whilst a sum of Rs.1,358,442 had been paid to the contractual society out of the Pradeshiya Sabha fund.

The following matters were observed in this connection.

- (a) No approved plan for the construction of the Tourist Information Centre.
- (b) Project report relating to the construction had not been forwarded to the audit.
- (c) Final payments reports I and II relating to payments of Rs.1,358,442 made to the contractual society had not been forwarded to the audit with the voucher.
- (d) Although construction work of the Tourist information centre had been completed in January 2011, it was lying idled without use even as at the date of audit on 06 June 2011.

2.7 Operating Inefficiencies

(a) Non-presentation of Assets and Liabilities Declarations

According to the requirements of the Assets and Liabilities Declarations Act No. 01 of 1975 revised by the Act No.74 of 1988, any of the members of the Sabha had not been given relevant Assets and Liabilities Declarations for the year 2010.

(b) Non-returned of Library Books

Hundred and twenty nine library books amounted to Rs.29,078 were taken away from Ahangama library in the year under review and two preceding years and not been returned, Sabha had not implemented sufficient follow up system in this connection.

(c) Solid Waste Management Project

The revenue of Rs.1,123,454 was received from the solid waste management project it is being implemented under pilisaru Project of the Central Environment Project and expenditure amounted to Rs.2,382,486 thus loss amounted to Rs.1,259,032. 10 employees had been engaged for this project. Although a sum of Rs.1,911,688 was paid as salaries, the audit inspection carried out on 06 June 2011 observed that only 03 employees were engaged in the service. Similarly no responsible officer had been appointed for the supervision of the Project.

03. Systems and Controls

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

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