

Kekirawa 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 29 March 2011 and 31 March 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 Kekirawa Pradeshiya Sabha 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 on the financial statements there from is given below.

Nature of Deficiency	No. of Items	Effects on Financial Statements			
		Income Rs.000	Expenditure Rs.000	Assets Rs.000	Liabilities Rs.000
(a) Under statements in the financial statements	01	-	7,680	-	-
– do -	01	-	-	-	7,680
(b) Over statements in the financial statements	03	-	-	79	-
– do -	04	1,081	-	-	-
(c) Omission from financial statements	07	-	-	925	-
(d) Inappropriate disclosures in the financial statements	02	-	-	18,017	-

1.3.2 Unreconciled Accounts

Balances according to the control accounts relating to the 3 items of accounts totalled Rs.10,367,596 whereas according to the subsidiary books/records the total of those balances amounted to Rs.10,195,486.

1.3.3 Unexplained Differences

The value of fixed assets as at 31 December of the year under review except land and buildings amounted to Rs.25,252,111 and the balance of revenue contributions to the capital employed account which should have been equivalent to that amounted to Rs.42,349,732 this showing a difference of Rs.17,097,621.

1.3.4 Accounts Payable

The following observations are made

- (a) Local government employees contributions of Rs.3,517,277 had been disclosed in the financial statements as at 31 December of the year under review as payable to the Department of Pensions. Nevertheless, the particulars of officers who have to pay contributing and their period of service in the Sabha were not established.
- (b) The retention of Rs.1,767,034 relating to 18 works and 3 to 9 years old had not been settled even as at 31 December 2010. Steps had not been taken to refund them after setting the defects if any, rectified by the contractor.
- (c) Creditors balance of ponds as shown in the financial statements as at 31 December 2010 which remained for more than 5 years amounted to Rs.647,095. No any evidence whatsoever was made available to identify or to confirm this balance.

1.3.5 Lack of Evidence for Audit

Seven items of accounts totalling Rs.39,627,094 could not be satisfactorily vouched/verified in audit due to non-availability of necessary information for audit.

1.3.6. Fictitious Assets

The assets in connection with 2 items valued at Rs.24,120 shown in the Balance Sheet under plant and machinery had not existed with the Sabha.

1.3.6 Non-compliance Laws, Rules and Regulations

The following non-compliances were observed.

Reference to Laws, rules regulations and management decisions

Non-compliance

- (a) Pradeshiya Sabha Rules-1988
(Financial and Administration No. 207)

In supplying stores and materials, the supplier should be selected through open competitive method as much as possible. Nevertheless that requirement had not been complied with in respect of supplies valued at Rs.417,498 procured in 4 instances.

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

02. Financial Regulation
 i. F.R. 189 Action had not been taken as per regulation respect of 13 dishonored cheques valued at Rs.29,101.
 ii. F.R. 245 Five vouchers valued at Rs.5,715 had been paid without being certified.

Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the income over recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.12,263,728 as compared with the income over recurrent expenditure for the preceding year amounting to Rs.4,172,100.

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 Rs.000	Actual Rs.000	Accumulated arrears as at 31 December Rs.000	Estimated Rs.000	Actual Rs.000	Accumulated arrears as at 31December Rs.000
Rates & Taxes	2,223	4,079	3,714	2,025	1,281	2,241
Lease Rent	3,663	1,594	661	1,088	1,019	145
License Fees	1,883	1,700	-	1,532	1,200	332
Other Income	5,826	14,862	5,757	25,374	29,544	7,298

2.2.2 Court Fines

Fines amounting to Rs.4,146,030 recovered by 2 Magistrate's Courts up to 31 December 2010 under various Ordinances and remitted to the Chief Secretary were due to the Sabha.

2.2.3 Stamp Duties

Stamp fees of Rs.2,257,224 were receivable as at 31 December 2010.

2.2.4 Arrears of Entertainment Tax

An entertainment tax of Rs.276,844 was receivable as at 31 December 2010 from the office of the Commissioner of Local Government.

2.2.5 Rates

Even though the recovery of rates had been implemented since January 2010 on the basis of the assessment made in the year 2004 within the area of authority it was observed that such properties had been modified according to the files. The approval of the Minister in charge of the subject had not been obtained for the implementation of the above assessment in terms of Section 146 of the Pradeshiya Sabha Act No. 15 of 1987.

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		
	Budgeted Rs.000	Actual Rs.000	Variance Rs.000	Budgeted Rs.000	Actual Rs.000	Variance Rs.000
Personal Emoluments	22,050	19,797	2,253	22,040	18,512	3,528
Others	81,000	80,324	676	10,946	3,921	7,025
Sub Total	103,050	100,121	2,929	32,986	22,433	10,553
Capital Expenditure	15,000	90,489	(75,489)	11,300	33,508	(22,208)
Grand Total	118,050	190,610	(72,560)	44,286	55,941	(11,655)

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
Staff	02	02
Secondary	19	17
Primary	61	48
Others (Casual/ Temporary)	-	10
Total	82	77

2.5 Assets Management

2.5.1 Idle Physical Resources

Assets of the Sabha valued at Rs.147,750 had been idle without being used.

2.5.2 Staff Loans Receivable

Loan and advance balances receivable as at 31 December 2010 totalled Rs.2,771,212 and the balances outstanding for more than 01 year totalled Rs.29,643.

2.5.3 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.41,341,042.

2.6 Operating Inefficiencies

The following observations are made.

- (a) A waste recycling centre had been established by spending a sum of Rs.3,980,997 with the financial assistance of the North Central Province Rural Development Project in the years 2004 and 2005 and a sum of Rs.3,618,563 had been spent thereon in the year 2009. However the waste recycling had not been commenced even by 31 December 2010 and as such it had become idle.
- (b) A Surcharge of Rs.4,492 had to be paid due to the non-payment of contributions in respect of employees of the Sabha to the Employees Trust Fund on due dates.

2.7 Performance

A corporate plan comprising the activities to be performed in future years relating to the health, roads and common utility services for the benefit and welfare of the people living in the area of authority of the Pradeshiya Sabha had not been prepared in terms of Section 03 of the Pradeshiya Sabha Act No. 15 of 1987.

2.8 Contract Administration

2.8.1. Constructions

(a) Projects not Carried out

Action had not been taken to carry out the following projects proposed to be implemented in the year 2010.

Source of Fund

Project

Estimated

		Provision
		Rs.
Jathika Saviya Maganeguma Decentralised	(i) Concreting the Ihala Puliyankulama Church road concrete	492,718
	(ii) Construction of access road to sport ground of the Kekirawa Central college	50,000
	(iii) Repair of Palugaswewa Bandiwewa Community Hall	40,000
	(iv) Repair of Palugaswewa Habarana Laksirigama Community Hall	40,000
Total		622,718

(b) Payments made on Machine Hour Basis

In terms of paragraph 56 of the ICTAD publication No. SCA/1 of the Construction Works Conditions Guidelines the payments should be made only on the basis of measurement taken by measuring the works done and payments should not be made on the machine hour basis. Irrespective of this requirement payments in respect of the following works had been made on the machine hour basis.

Date	Voucher No.	Particulars	Amount Paid
			Rs.
20.05.2010	496	Digging waste pits in the waste yard at Embulgaswewa 40x4,500 metre hours	180,000
27.07.2010	723	Payment for motor grader 20.4x3,600 hours	73,440
22.06.2010	604	Digging waste pits 76 dozer hours excavator 61.05 hours	372,175
Total			625,615

2.9 Internal Audit

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

03. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contract Administrations
- (e) Debtors Control