

Medawachciya 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 22 June 2011 and 21 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 Medawachciya 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 thereon is given below.

Nature of Deficiency	No. of Items	Effects on Financial Statements		
		Income	Expenditure	Liabilities
		Rs.000	Rs.000	Rs.000
(a) Under statements in the Financial Statements	04	768	-	-
(b) Omission from Financial Statements	05	-	63	-
(c) Over statements in the Financial Statements	01	-	342	-
- do -	01	-	-	342

1.3.2 Un-reconciled Accounts

Balance according to the financial statements relating to the ten items of accounts amounted to Rs.16,410,463 where as such balances according to the subsidiary books/records amounted to Rs.11,957,668.

1.3.3 Accounts Payable

The value of accounts payable balances remained for more than 02 years as at 31 December 2010 amounted to Rs.556,384.

1.3.4 Lack of Evidence for Audit

-----  
 Transactions totalling Rs.411,494 could not be satisfactorily vouched in audit due to non-remission of necessary information for audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules, Regulations etc.	Non-compliance
-----	-----
(a) Pradeshiya Sabha rules of 1988 (Financial and Administration)	
(i) Rule 115	Payment for the purchase of materials valued of Rs. 216,888 during the year under review had been made without a stock certificate.
(ii) Rule 163	The Summarized Revenue Register (P.S 19) for the computation of the year's revenue had not been prepared and presented to audit.
(iii) Rule 180	The Security deposit had not been kept by the Secretary.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371 (2)	Advances of Rs. 55,000 given in the year 2009 had not been settled even by 31 December 2010.
(c) Establishments Code Section 9.6 of Chapter viii	Although the official tour in a public holiday should not be taken into account as a working day for the purpose of holiday pay, sum of Rs.11,500 had been paid to a Technical Officer as holiday pay for travelling on public holidays.
(d) Circular No. LG/03 dated 03 September 1989 of the North Central Province Commissioner of Local Government.	If the minimum bid determined on the basis of last 3 years leasing less than the lease rent of the last year, the last months bid should be taken as the minimum bid, Nevertheless, in determining the 2010 minimum bid, the minimum bid in 4 places had been determined less than the 2009 bid and as

such a loss of Rs.467,150 had been incurred by the Pradeshiya Sabha fund.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the income over recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs.1,433,832 as against the recurrent expenditure over income for the preceding year amounting to Rs.311,692.

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 December	Estimated	Actual	Accumulated arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates & Taxes	877	301	1,138	206	169	37
Lease Rent	2,487	1,236	601	2,257	972	1,285
License Fees	600	797	491	550	565	-
Other Income	460	1,692	3,439	2,500	100	2,400

2.2.2 Courts Fines

Fines amounting to Rs.1,686,269 recovered by a Magistrates Court up to 31 December 2010 under various Ordinances and remitted to the Chief Secretary were due to the Sabha.

2.2.3 Other Revenue

A procedure had not been formulated to impose taxes on advertisements, private tuition classes and lawyer's firms in terms of Section 122 and 152 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		
	Estimated Rs.000	Actual Rs.000	Variance Rs.000	Estimated Rs.000	Actual Rs.000	Variance Rs.000
Personal Emoluments	10,670	9,411	1,259	10,668	8,872	1,796
Others	3,071	2,547	524	5,954	4,583	1,371
Sub Total	13,741	11,371	1,783	16,622	13,455	3,167
Capital Expenditure	8,194	11,371	(3,177)	2,602	12,799	(10,197)
Grand Total	21,935	23,329	(1,394)	19,224	26,254	(7,030)

## 2.4 Human Resources Management

### 2.4.1 Approved and Actual Cadre

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

Grade of employees	Approved	Actual
Staff	01	-
Secondary	04	07
Primary	18	19
Others (Casual, temporary)	-	04
Total	23	30

- (b) Four casual employees had been recruited by the Sabha during the year under review in excess of the approved cadre and a sum of Rs.907, 200 had been paid as salaries.

2.5 Assets Management  
-----

2.5.1 Idle Physical Resources  
-----

Equipment valued at Rs.814,000 had been given to the Sabha in the year 2008 by the North Central Chief Ministry to commence a rice flour related bakery product project. However that equipment had become idle as that project had not been commenced even by 31 December 2010.

2.5.2 Accounts Receivable  
-----

The value of accounts receivable as at 31 December 2010 amounted to Rs.9,412,226 and the accounts balances remained for more than 01 year totalled Rs. 1,919,797.

2.5.3 Outstanding Staff Loans  
-----

Loans and advance balances receivable as at 31 December 2010 totalled Rs.1,284,706 and the balance remained outstanding for more than 01 year totalled Rs.227,506.

2.5.4 Non-moving Current Assets  
-----

The value of assets remaining for more than 01 year as at 31 December 2010 amounted to Rs.266,584.

2.5.5 Unverified Assets  
-----

The value of assets computed on book values as at 31 December 2010 and not confirmed by physical verification amounted to Rs.11,903,630.

2.5.6 Unsettled Advances  
-----

Two impress totalling Rs.55,000 paid in the year 2007 had not been settled even by 31 December 2010 in terms of Financial Regulation 371 (5) of the Democratic Socialist Republic of Sri Lanka.

2.6 Uneconomic Transactions  
-----

The Internal Telephone System set up in September 2009 by spending a sum of Rs. 20,000 had been inoperative by 07 July 2010.

2.7 Transactions not Supported by Adequate Authority  
-----

Even though the approval of the Minister should be obtained to waive off certain amount of money from dues to the Sabha in terms of Section 182 of the Pradeshiya Sabha Act No. 15 of 1987 without obtaining such approval, arrears of beef stall income amounting to Rs.24,916 had been written off from books by journal entry No. 15.

2.8 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 the health, roads and common utility services for the benefit and welfare of the people living in the area 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.

2.9 Contract Administration  
-----

Constructions  
-----

The following matters were revealed.

- (a) An estimate for Rs. 263,060 had been prepared for the development of road from A-9 Mannar road in front of the Medawachchiya Agrarian Services Centre road by laying gravel. According to the quality control report of the Provincial Engineer only a sum of Rs.173,490 had been recommended for payments by the Engineer of the Department of Local Government due to unsatisfactory whipping and thickness. Even though only this amount had been paid for this work, action had not been taken to do the balance work as specified and abandoned subsequently. The physical verification carried out on 03 December 2010 observed that the construction works had been unsatisfactory.
- (b) An estimated amounting of Rs.303,646 had been prepared and approved for the development of Katuwela road in front of Courts, 800 meters in extent by using gravel. According to the quality control report prepared by the Provincial Department of Engineering, the thickness of gravel and whipping had been unsatisfactory. However a sum of Rs. 202,480 had been paid out of the estimated value of Rs. 276,640.

2.10 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 Administration