

Maho Pradeshiya Sabha

Kurunegala District

01. Financial Statements

1:1 Presentation of Financial Statements

Financial statements of the year under review had been presented to audit on 17 March 2011 and the financial statements for the preceding year had been presented for the audit on 16 March 2010.

1:2 Opinion

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

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

(a) Even though a balance of stock in hand as at the end of the year amounting to Rs.541,322 appeared in the balance sheet, there was no such stocks in the report of the Board of Survey conducted according to the stock book.

(b) A stock of books valued at Rs.28,064 misplaced and recommended for elimination in accordance with the Board of Survey Reports as at the end of the year under review had not been disclosed in the accounts. In order to reconcile the ledger balance of the Library Books Account as at the end

of the year under review with the balance revealed in the Board of Survey Report, a sum of Rs.333,353 had been debited to the Library Books Account and credited to the related Head of Expenditure (609) by Journal Entry No. 91.

- (c) The unpaid salaries and wages amounting to Rs.57,498 and Local Government Vocational Loans amounting to Rs.2,075 remaining from the year 2009 had not been settled even in the year under review.

1:3:2 Unreconciled Control Accounts

The balances of 11 items of account according to the relevant Control Accounts amounted to Rs.40,898,859 whereas according to the subsidiary registers/ records, those balances totalled Rs.39,128,047.

1:3:3 Accounts Payable

The value of accounts payable older than 01 year as at 31 December 2010 amounted to Rs.4,787,444.

1:3:4 Lack of Evidence for Audit

Non-submission of Information to Audit

Transaction totalling Rs.6,919,740 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

2. Financial and Operating Review

2:1 Financial Result

According to the financial statements presented, the excess of recurrent expenditure over the revenue of the Sabha for the year ended 31 December 2010 amounted to Rs.7,958,594 as compared with the corresponding excess of recurrent expenditure over revenue amounting to Rs.963,209 for the preceding year.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year presented by the Chairman is given below.

Item if Revenue	2010			2009		
	Estimated	Actual	Cumulative Arrears as at 31 December	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	2,027	1,931	1,871	2,217	2,089	1,813
Lease Rents	5,300	5,337	334	4,500	4,868	373
Licence Fees	325	174	10	800	819	20
Other Revenue	40,402	21,883	9,740	35,873	19,445	6,061
Total	48,054	29,325	11,955	43,390	27,221	8,267

2:2:3 Courts Fines

Courts fines amounting to Rs.3,791,075 recovered by a Magistrate's Court under various Ordinances up to 31 December 2010 remained receivable by the Sabha.

2:2:4 Stamp Fees

Stamp Fees amounting to Rs.1,497,355 remained receivable as at 31 December 2010 from the Registrar General.

2:2:5 Annual Leases and Long Leases

An outstanding balance of Rs.284,798 relating to the period 1980 to 2005 under 13 leases granted on tenders and an outstanding balance of Rs.32,432 relating to 03 instances of long leases remaining from the year 2002 had been outstanding even up to the end of the year under review.

2:2:6 Trade Stall Rents

The Commercial of Local Government had, by his letter dated 20 September 2006, informed that the arrears amounting to Rs.30,099 relating to stall No. 06 of the Public Market of the Sabha remaining since the year 2004 should be recovered from the two officers responsible. The officers concerned had requested for a formal inquiry into the matter. Even though the Commissioner of Local Government had, by his letter dated 17 January 2010, directed the Sabha to hold a formal inquiry, it had not been held even up to the end of the year under review.

2:2:7 Rates

The arrears of rates as at the end of the year under review according to the relevant registers amounted to Rs.1,123,361. In terms of Section 158 of the Pradeshiya Sabha Act, No. 15 of 1987 and the Rules 33 to 41 of the Pradeshiya Sabha (Financial Administrative) Rules 1988, quarterly lists should be prepared and warrants should be served for the recovery of these arrears. Nevertheless, there was no such recovery of the arrears by serving warrants on quarterly basis. A list of arrears as at the end of the year only had been prepared.

2:3 Expenditure Structure

The budgeted and the actual expenditure of the Sabha for the year under review and the preceding year together with the variance 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
<u>Recurrent Expenditure</u>						
Personal	27,533	22,015	5,518	22,402	21,965	437
Emoluments						
Others	16,171	29,078	(12,907)	14,465	35,348	(20,883)
Sub-total	43,704	51,093	(7,389)	36,867	57,313	(20,446)
Capital	45,045	74,785	(29,740)	6,520	41,481	(34,961)

Expenditure

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Grand Total	88,749	125,878	(37,129)	43,387	98,794	(55,407)
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2:4 Surcharges

According to the surcharges imposed by me in terms of provisions of Section 172(3) of the Pradeshiya Sabha Act, No. 15 of 1987, the value of surcharges recovered as at 31 December 2010 amounted to Rs.5,384.

2:5 Human Resources Management

Approved and Actual Cadre

Information on the approved and the actual cadre of the Sabha as at 31 December 2010 had been as below.

<u>Grades of Employees</u>	<u>Approved</u>	<u>Actual</u>
Staff Grades	01	--
Secondary Grades	30	24
Primary Grades	56	52
Other (Casual, Temporary)	--	35

2:6 Assets Management

2:6:1 Accounts Receivable

The value of accounts receivable as at 31 December 2010 amounted to Rs.55,805,842 and the balances of accounts older than 01 year amounted to Rs.4,410,630.

2:6:2 Staff Loan Recoverable

The balances of staff loans and advances recoverable as at 31 December 2010 totalled Rs.173,842 and the balances of accounts outstanding for more than 01 year totalled Rs.173,842.

2:6:3 Assets not Surveyed

Even though the Sabha owned lands and buildings valued Rs.30,578,639 as at the end of the year under review, an annual survey of those had not been conducted in terms of Rule 218 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988.

2:7 Irregular Transactions

The lease agreements relating to the lease of trade stalls of the Public Market are not clear as to which party should settle the electricity bills of those stalls. As such the Sabha had to pay Rs.10,474 out of the Sabha Fund for the reconnection of the electricity supply to stall No. 22 in the year 2008 disconnected due to the non-settlement of electricity bills by the lessee, while another sum of Rs. 1,456 had to be paid for reconnection of the supply of electricity disconnected in 31 December 2009. In addition the electricity supply to stall No. 02 of the New Trading Complex had been disconnected in the year 2007 due to the non-settlement of electricity bills by the lessee. The Sabha had to pay a sum of Rs.12,235 to the Ceylon Electricity Board for the reconnection of the supply.

2:8 Operating Inefficiencies

The pensionary contributions payable o the Local Government Service Pension Fund on behalf of the employees of the Sabha who had retired from service had not been paid by the Sabha to that Fund regularly and as such the balance payable to that Fund by the end of the year under review amounted to Rs.3,399,496.

2:9 Performance

(a) Eight health and welfare services projects with an estimated cost of Rs.1,050,000 proposed for implementation in the budget for the year under review had not been implemented in the year under review due to the unavailability of funds.

- (b) Ten projects costing Rs.5,459,433 estimated for implementation in the year under review under the Jathika Saviya, Gama Neguma Stage II and Sabha funds had not been completed by the end of the year under review due to the inadequacy of time and funds.

2:10 Internal Audit

An adequate final audit of the institution had not been carried out.

03. Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a) Accounting
- (a) Financial Control
- (b) Revenue Administration
- (c) Assets Management