

Medirigiriya Pradeshiya Sabha
Polonnaruwa District

01. Financial Statements

1:1 Presentation of Financial Statements

Financial statements for the year under review had been presented to audit on 06 April 2011 and the financial statements for the preceding year had been presented for audit on 22 March 2010.

1:2 Opinion

In view of the comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Medirigiriya Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1:3 Comment on Financial Statements

1:3:1 Accounting Deficiencies

A summary of the accounting deficiencies observed during the course of audit is given below.

Deficiency -----	Number of Items -----	Value -----
		Rs.
(a) Omissions in the Financial Statements	03	473,446
(b) Omissions in the Financial Statements	03	Not Computed

1:3:2 Accounts Payable

The value of Accounts Payable older than 01 year as at 31 December 2010 amounted to Rs.1,441,435.

1:3:3 Lack of Evidence for Audit

Transactions valued at Rs.47,499,942 could not be satisfactorily vouched in audit due to the non-submission of required evidence to audit.

1:3:4 Non-compliances

Non-compliances with the provisions of the following laws, rules and regulations were observed during the course of audit.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988	
----- Rules 205, 214 and 218	Even though a complete survey of the properties of the Sabha should be conducted it had not been so done.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
----- Financial Regulation 396	Action in terms of the Financial Regulations had not been taken on 02 cheques valued at Rs.5,150 relating to a Account with the People's Bank, issued but not presented for payment for more than 06 months.

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.2,782,333 as compared with the excess of recurrent expenditure over revenue amounting to Rs.786,105 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 of Revenue	Estimated	<u>2010</u>			<u>2009</u>		
		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	
(i) Rates and Taxes	706	735	2,550	706	649	2,267	
(ii) Lease Rents	3,184	1,618	183	1,951	1,299	190	
(iii) Licence Fees	1,180	763	--	925	726	--	
(iv) Other Revenue	9,299	16,213	2,505	17,761	14,237	1,827	

2:2:2 Courts Fines

Courts fines amounting to Rs.779,796 collected by 02 Magistrates' Courts under various Ordinances up to October 2010 and remitted to the Provincial Commissioner of Revenue remained receivable by the Sabha. The Courts fines receivable from the Magistrate's Court Hingurakgoda from August to December 2010 and the Courts fines receivable from the Magistrate's Court Polonnaruwa for November and December 2010 had not been identified and brought to account.

2:2:3 Stamp Fees

Stamp fees amounting to Rs.764,050 as at 31 December 2009 remained receivable from the Registrar General and the stamp fees revenue receivable up to 31 December 2010 had not been identified and brought to account.

2:2:4 Trade Licence Fees and Industries Tax

Trade Licence Fees and Industries Tax in respect of the year under review had not been collected on the basis of a list of the places of business and industries including the decreases and increases prepared by carrying out an annual survey in terms of Rule 67 of Pradeshiya Sabha (Financial and Administrative) Rules 1988.

2:2:5 Water Rates

(a) The arrears of water rates at the beginning of the year under review amounted to Rs.1,441,301 and that had increased by 19 per cent to Rs.1,725,420 by the end of the year.

(b) According to the records furnished to audit, the revenue from water rates for the year under review amounted to Rs.3,322,386 and the recurrent expenditure on the water supply amounted to Rs.3,804,013. Thus an operating loss of Rs.481,627 had been incurred on the supply of water.

2:2:6 Rates

The arrears of revenue from the rates at the beginning of the year under review amounted to Rs.2,266,944 and that had increased by 12 per cent to Rs.2,550,318 by the end of the year. Out of the revenue collectable during the year only 11 per cent had been collected.

2:2:7 Other Revenue

Even though the estimated revenue in respect of the year under review from the Pilisar Carbonic Fertilizer Project constructed at a cost of Rs.22 million amounted to Rs.500,000 no revenue whatsoever had been earned.

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</u>						

<u>Expenditure</u>						
Personal	10,648	11,350	(702)	10,171	9,959	212
Emoluments						
Others	11,596	10,762	834	11,144	7,738	3,406
	-----	-----	-----	-----	-----	-----
Sub-total	22,244	22,112	132	21,315	17,697	3,618
Capital	17,000	69,394	(52,394)	44,224	14,331	29,893
Expenditure						
	-----	-----	-----	-----	-----	-----
Grand Total	39,244	91,506	(52,262)	65,539	32,028	33,511
	=====	=====	=====	=====	=====	=====

2:4 Human Resources Management

Approved and Actual Cadre

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

<u>Grades of Employees</u>	<u>Approved</u>	<u>Actual</u>
Staff Grades	01	--
Secondary Grades	05	08
Primary Grades	15	23
Others (Casual/ Substitute, Temporary)	--	23
	-----	-----
	21	54
	=====	=====

2:5 Assets Management

2:5:1 Idle Physical Resources

An audit test check revealed that 02 motor vehicles with an assessed valued at Rs.353,000 and a rice production machine valued at Rs.451,000 and buildings valued at Rs.5,530,000 as had been idling.

2:5:2 Staff Loan Recoverable

The balances of staff loans and advances recoverable as at 31 December 2010 totalled Rs.1,311,647 and the balances outstanding for more than 01 year totalled Rs.197,868.

2:6 Motor Vehicles and Machinery Utilization

Even though 08 motor vehicles and machinery of the Sabha are deployed on revenue earning and other services in addition to deployment on official work of the Sabha, the Sabha had not followed an internal control procedure on the hiring out of those motor vehicles and machinery and the collection of hire charges. As such, the safety of the motor vehicles and machinery and the correctness of the revenue earned had not been ensured.

2:7 Performance

Absence of a Corporate Plan and an Action Plan

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- (a) A Corporate Plan embodying the action to be taken in the ensuing years in connection with the functions devolved the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act, No. 15 of 1987 had not been prepared, in term of paragraph 5(I) of Circular No. PF/R/2/2/3/5(4) of 10 March 2010 of General Treasury.
 - (b) An Action Plan (Financial and Physical) for the proper management of the financial, human and physical resources aimed at the achievement of the objectives of the Sabha had not been prepared for the year under review.

2:8 Internal Audit

An adequate internal audit of the Sabha had not been carried out in the year under review.

03. Systems and Controls

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

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

