

Minuwangoda Pradeshiya Sabha

Gampaha District

1. Financial Statements

1:1 Presentation of Financial Statements

The 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 on 25 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 Minuwangoda Pradeshiya Sabha had maintained proper 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 Minuwangoda Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1;3:1 Accounting Deficiencies

- (a) The write off of sundry creditors relating to the year 2009 amounting to Rs.4,376,225 had been credited to the Stores Creditors Account instead of crediting the Accumulated Fund and as such the Stores Creditors Account had been overstated by that amount.
- (b) Out of the value of garbage carts received as donations amounting to Rs.41,250 a sum of Rs.20,625 only had been brought to account under fixed assets.
- (c) Transfer of cash in the Bank of Ceylon Branch at Minuwangoda amounting to Rs.29,616 had been brought to account as interest income.

(d) Interest on 03 fixed deposits had been understated by a sum of Rs.27,402.

1:3:2 Unrecounciled Control Accounts

The balances of 03 items of account according to the Control Accounts totalled Rs.175,842,252 whereas according to the Subsidiary registers/ records the balances of the accounts totalled Rs.184,595,472.

1:3:3 Lack of Evidence for Audit

The date of payment and settlement of advances amounting to Rs.495,555 paid to the suppliers and contractors during the year under review had not been furnished to audit.

1:3:4 Non-compliances

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) Section 12(2) of the Pradeshiya Sabha Act, No. 15 of 1987.	A Committee for advising the Sabha on Housing and Community Development had not been appointed.
(b) Prdeshiya Sabha (Financial and Administration) Rules 1988.	
(i) Rule 50	A document in Form PS 24 on the Vehicles and Animals Tax had not issued to each Chief Householder and collected after filling up.
(ii) Rule 59	At the commencement of each year, an officer authorized by the Chairman or the Revenue Inspector or the Revenue Supervisor should conduct a Survey of the area of authority of the Sabha, prepare a list of industries in terms of Section 150(1) of the Pradeshiya Sabha Act,

No. 15 of 1987 and submit such list to the Secretary to the Sabha on or before 31 March of each year. But it had not been so done.

(iii) Rule 193

A statement of explanations for the variances prepared as at 31 December of the year by reconciling the budgeted financial provision with the actuals had not been furnished to audit.

(iv) Rule 217

The Register of Fixed Assets maintained had not been updated.

(v) Rule 218

All the lands and buildings owned by the Sabha had not been examined by a Board of Survey as at the end of the year.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 396(d)

Action in terms of the Financial Regulation referred to had not been taken on 03 cheques valued at Rs.1,111 lapsed for more than 06 months from the date of issue.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs. 28,608,424 as compared with the excess of revenue over the recurrent expenditure amounting to Rs.56,252,627 for the preceding year.

2:2 Revenue Administration

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

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year that should have been furnished by the Chairman in accordance with my letter dated 07 February 2010 had not been furnished.

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 Emoluments	26,768	21,749	5,019	25,173	20,959	4,214
Others	26,724	27,730	(1,006)	23,638	28,132	(4,494)
Sub-total	53,492	49,479	4,013	48,811	49,091	(280)
Capital Expenditure	95,600	347,035	(251,435)	70,557	142,466	(71,909)
Grand Total	149,092	396,514	(247,422)	119,368	191,557	(72,189)

2:4 Human Resources Management

Approved and Actual Cadre

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

Category of Posts	Approved	Actual
Staff	03	02
Secondary	25	19
Primary	71	63
Other (Casual Temporary)	--	--
	99	84

2:5 Assets Management

The balances of staff loans and advances that remained recoverable as at 31 December 2010 totalled Rs.7,640,660 and outstanding account balances older than 07 years totalled Rs.32,812.

2:6 Activities Extraneous to Objectives

Provision amounting to Rs.10,000,000 allocated as shown below from the annual estimates for the year 2010 had been transferred for the construction of office building without being used to achieve the relevant objectives and a sum of Rs.39,692,532 had been spent by the end of the year on the construction of buildings.

Details of Expenditure -----	Expenditure Head -----	Amount -----
		Rs.
Acquisition of Lands	309(6)	100,000
Purchase of Motor Vehicles	109(2)	500,000
Repayment of Loans	310(2)	2,500,000
Capital Works on Roads	309(7)	6,900,000

		10,000,000
		=====

2:7 Transactions not Supported by Adequate Authority

Provisions amounting to Rs.95,600,000 had been made under 06 Expenditure Heads for capital expenditure in the year 2010 and the provision had been increased to Rs.202,270,000 by obtaining Rs. 96,670,000 from Supplementary Estimates and transfers of Rs.10,000,000 from Expenditure Heads. Nevertheless, a sum of Rs.347,035,274 had been spent in the year under review on construction works such as buildings and roads and the purchase of equipment. The expenditure amounting to Rs.144,765,274 exceeding the provision had been incurred from the Sabha Fund without the approval of the Sabha.

2:8 Operating Inefficiencies

The following observations are made.

- (a) Reimbursement of a sum of Rs.19,975 paid as arrear of salary relating to the period from July 1999 to June 2002 to an employee of the Sabha had not been get reimbursed.
- (b) A balance of Rs.27,116,465 in the Bank Current Account of the Sabha as at 31 December 2010 was observed. Attention had not been paid to invest the surplus cash at least on short term basis.
- (c) The Register of Stores Creditors and the Register of Refundable Deposits had not been maintained in the updated manner.

2:9 Internal Audit

An adequate internal audit of the Institution had not been carried out.

3. Systems and Controls

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

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