

Mirigama 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 23 March 2011 and the financial statements for the preceding year had been presented on 17 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 Mirigama 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 Mirigama 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) Even though the value of 02 tractors with trailers amounting Rs.2,040,000 had been brought to account under the fixed assets, those had not been credited to the Revenue Contribution to Capital Outlay Account.
- (b) The Stamps Advance of Rs.17,631,968 refundable as at 31 December 2010 had not been brought to account.
- (c) The value of the computer included in the Register of Fixed Assets amounting to Rs.142,000 had not been included in the accounts.

- (d) Even though the value of lands and buildings according to the Register of Fixed Assets amounted to Rs.8,046,445 according to the schedule furnished with the accounts that amounted to Rs.5,867,589. Thus a difference of Rs.2,178,856 was observed.
- (e) The balance stock as at 31 December 2010 valued at Rs.117,957 had not been included in the closing stock.

1.3.2 Accounts Payable

The value of account balances exceeding over 01 year as at 31 December 2010 amounting to Rs.2,029,223.

1:3:3 Lack of Evidence for Audit

Transactions totalling Rs.21,130,523 could not be satisfactorily vouched in audit due to the non – submission of required evidence to audit.

1:3:4 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988	
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(i) Rule 31	
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	Action in terms of the Rule had not been taken on dishonoured cheques valued at Rs.6,709 brought forward over a number of years.
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(ii) Rule 59	
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	At the beginning of each year, an
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authorized officer of the Sabha should conduct a survey in the area of authority of the Sabha in terms of the Rule referred to, a prepare a list of industries and submit such list to the Secretary of the Sabah before 31 March. It had not been so submitted.

(iii) Rule 218

Chairman had not taken action to conduct a survey of the lands and buildings owned by the Sabha annually.

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

Financial Regulation 396 (d)

Action in terms of the provisions of the Regulation had not been taken on 03 lapsed cheques valued at Rs.8,580 issued but not presented to the Bank up to 31 December 2010.

2 Financial and Operating Review

2:1 Financial Result

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. 8,054,267 as compared with the excess of revenue over the recurrent expenditure amounting to Rs.8,392,580 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	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Cumulative Arrears as at 31 December	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	8,316	3,211	5,105	6,347	1,604	4,743
Lease Rents	4,240	3,406	834	4,771	3,955	816
Licence Fees	1,830	1,492	338	1,669	1,297	372
Other Revenue	5,800	4,765	1,035	3,119	2,416	703

2:2:2 Arrears of Rates and Other Revenue

- (a) The Secretary of the Sabha had not taken action in terms of Section 158(1) of the Pradeshiya Sabha Act, No. 15 of 1987 for the recovery of arrears of rates, taxes and other revenue outstanding as at 31 December 2010 amounting to Rs.812,965.
- (b) The arrears of rates as at 31 December 2010 exceeded Rs.10,000 in each case totalled Rs.793,331 and arrears balances amounting to Rs.96,592, Rs.194,408 and Rs.502,331 relating to the Mirigama Head Office and Pallewela and Udugaha Sub-offices were observed.

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	<u>2010</u>			<u>2009</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Recurrent

<u>Expenditure</u>						
Personal	39,277	36,379	2,898	39,821	35,506	4,315
Emoluments						
Others	41,868	22,038	19,830	42,904	33,456	9,448
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Sub-total	81,145	58,417	22,728	82,725	68,962	13,763
Capital Expenditure	69,375	19,226	50,149	60,712	34,305	26,407
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Total	150,520	77,643	72,877	143,437	103,267	40,170
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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.

Category of Employees	Approved	Actual
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Staff	03	02
Secondary	33	33
Primary	111	94
Other (Casual Temporary)	00	34
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	147	163
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2:5 Assets Management

2:5:1 Idle and Underutilized Physical Resources

The well in the premises of the Public Market Complex, Pallewela completed at a cost of Rs.1,296,878 in March 2009 had not been used for any purpose over a period of 01 year 09 months.

2:5:2 Accounts Receivable

The prepayments balance of the Sabha as at 31 December 2010 amounted to Rs.6,173,688 and the balances of accounts older than 01 year totalled Rs.6,164,188.

2:5:3 Staff Loans Recoverable

The balances of staff loans recoverable as at 31 December 2010 and brought forward continuously amounted to Rs.32,071.

2:6 Uneconomic Transactions

The construction of the Shopping Complex at Mirigama had been commenced on 18 January 2000 and should have been completed by 16 December 2000. As the construction had been commenced on a land belonging to the Department of Railways without obtaining approval and the project had to be stopped halfway due to the objections confronted. As such the expenditure of Rs.11,691,237 spent on the Project had become a fruitless expenditure.

2:7 Operating Inefficiencies

- (a) Follow up action had not been taken on the shortages in the inventory items / stocks of the Head Office and the Sub – offices valued at Rs.23,190 observed at the Board of Survey for the year 2010.
- (b) It was observed that there is no specific creditor for the provision for creditors amounting to Rs.200,000 brought forward in the Sundry Creditors Account from the year 2008.

2:8 Internal Audit

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

3. Systems and Controls

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

- (a) Accounting
- (b) Internal Audit
- (c) Revenue Administration
- (d) Stores Control