

Namal Oya Pradeshiya Sabha

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Ampara District  
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1. Financial Statements

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1:1 Presentation of Financial Statements  
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The financial statements for the year under review had been presented to audit on 04 April 2011 and the financial statements for the preceding year had been presented on 20 July 2010.

1:2 Opinion  
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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 Namal Oya 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, 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 Namal Oya 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  
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1:3:1 Accounting Deficiencies  
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(a) The expenditure of Rs.1,439,620 incurred in 2010 to repair the cab and the aid obtained from the Provincial Council in this connection had not been accounted for.

(b) Capital aid and capital expenditure had not been accounted for.

1:3:2 Lack of Evidence for audit

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Board of survey reports and the register of fixed assets had not been furnished to audit to confirm the value fixed assets of Rs.4,968,922 shown in the financial statements for the year 2010.

1:3:3 Non-compliance

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The following non compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) 1988 Pradeshiya Sabha (Finance and Administration)	
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(i) Rule 17	Proper supervision had not been carried out with regard to the receipt books purchased.
(ii) Rule 99	The Chairman or the Deputy Chairman had not certified paid vouchers for the year under review valued at Rs.810,978.
(iii) Rules 195, 196, 197	A register of consumables had not been maintained.
(iv) Rule 180	Security deposits had not been obtained from officers dealing with cash or stores and from officers collecting revenue.
(b) Financial Regulations of the Republic of Sri Lanka	
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Financial Regulation 751	Stock of materials purchased had not been entered in registers.

2. Financial and Operating Review  
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2:1 Financial Results  
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According to the accounts presented, the recurrent expenditure exceeding the revenue of the Sabha for the year ended 31 December 2010 was Rs.137,230 as compared with the recurrent expenditure exceeding the revenue of the Sabha for the previous year amounting to Rs.66,347.

2:2 Revenue Administration  
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2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue  
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The information relating to the estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year, as presented by the Chairman, appears below.

Item of Revenue	2010			2009		
	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
(i) Lease Rent	368.6	366.8	1.8	374	354	162
(ii) Licence Fees	277.3	178.4	98.8	268	76	267
(iii) Other Revenue	703.1	515.8	187.2	869	394	481

2:2:2 Court Fines  
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Court fines amounting to Rs.629,687 was receivable as at 31 December 2010.

2:2:3 Lease Rent  
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Action had not been taken to recover the lease rent of Rs.100,583 due as at 31 December 2010.

2:3 Expenditure Structure  
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The budgeted and the actual expenditure of the Sabha for the year under review and the previous year, with variances, appears 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
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal Emoluments	4,650	5,109	(459)	4,247	4,873	(626)
Others	978	1,002	(24)	1,119	965	154
Sub Total	5,628	6,111	(483)	5,366	5,838	(472)
Capital Expenditure	5	64	(59)	5	71	(66)
Grand Total	5,633	6,175	(542)	5,371	5,909	(538)

2:4 Human Resources Management  
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Approved and Actual Cadre  
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The information relating to the approved and actual cadre of the Sabha appears below.

<u>Employees' Grade</u>	<u>As at 31 December 2010</u>	
	<u>Approved</u>	<u>Actual</u>
Staff Grade	01	01
Secondary Grade	09	08
Primary Grade	10	08
Others (Casual, Temporary)	--	01
	<u>20</u>	<u>18</u>

2:5 Assets Management  
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2:5:1 Idle/ Underutilized Resources  
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A vehicle valued at Rs.312,500 remained idle for 5 years.

2:5:2 Employees' Loans Recoverable  
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The balances of employees' loan advances exceeding 01 year as at 31 December 2010 aggregated Rs.446,816.

2:6 Operating Inefficiencies  
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The following observations are made.

- (a) A pumping station and pipe lines had been constructed for the new water project at the Paragahakale area by spending Rs.195,040 in June 2004. However, electricity and a water motor had not been supplied for this. As a result, the expected result had not been obtained upto now.
- (b) A computer, a scanning machine and 02 printers had not been purchased for physical verification.
- (c) A well and a pumping station had been constructed by incurring an expenditure of Rs.200,428 for the pipe water project commenced in 2003 at Polwatta. However, the construction of water tank and other activities had not been completed as planned, upto now.
- (d) Three cheques valued at Rs.38,975 had not been handed over to the persons concerned with regard to the payments for work in the year 2010 which had not been completed even in 2011. Action had not been taken to complete the work.

- (e) A cab had been repaired by incurring an expenditure of Rs.1,439,620. However, repairs had been carried out subsequently on various occasions. As such, it was observed that it had not been properly done.

2:7 Internal Audit

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Adequate internal audit had not been carried out at the Institution.

3. Systems and Controls

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Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Financial Control