

Nintavur Pradeshiya Sabha

Ampara District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 22 March 2011 and the financial statements for the preceding year had been presented on 03 March 2010. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 15 November 2011.

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 Nintavur 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 my report forwarded to the Chairman, 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 Nintavur 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 Policies

The following observations are made.

- (a) The financial statements had not been prepared on accrual basis.
- (b) Provision had not been made for replacement of fixed assets.

1:3:2 Accounting Deficiencies

The following observations are made.

- (a) The stock of electrical equipment valued at Rs.140,704 had been shown in the accounts based on book values, without being physically verified.
- (b) Provision for audit fees had not been made in the accounts in terms of Section 172(2) of the Pradeshiya Sabha Act, No. 15 of 1987.
- (c) The value of land and buildings of the Sabha had not been assessed and brought to accounts.
- (d) The opening balance of the accumulated fund for the year 2010 had been understated in the accounts by Rs.167,811.

1:3:3 Accounts Payable

Accounts payable for over 1 year as at 31 December 2010 were valued at Rs.1,700,571.

1:3:4 Non-compliance

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

| Reference to Laws, Rules, Regulations and Management Decisions ----- | Non-compliance ----- |
|---|--|
| (a) Pradeshiya Sabha (Finance and Administration) Rules 1988 ----- Rule 180 | Officers dealing with cash and stores had not finished security deposits. |
| Rule 217 | The Sabha had not maintained a register of fixed assets in terms of P.S. 46. |

Rule 218 Land and buildings had not been verified by a competent officer.

Rule 219 A separate register for land and buildings, detailed lists and verification reports had not been maintained as required by the rule.

(b) Section 153 of the Inland Revenue Act, No. 10/2006 Payments had been made without deducting the withholding tax of Rs.31,977.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2010 amounted to Rs.5,608,008 as against the excess of revenue over recurrent expenditure amounting to Rs.237,763 for the preceding year.

2:2 Revenue Administration

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

The estimated revenue, actual revenue and the arrears of revenue of the Sabha for the year under review, as presented by the Chairman is given below.

| Item of Revenue | Estimated | Actual | Cumulative Arrears as at 31 December |
|---------------------|-----------|---------|--------------------------------------|
| ----- | ----- | ----- | ----- |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| (i) Rates and Taxes | 1,000 | 411 | 3,830 |
| (ii) Lease Rent | 3,469 | 3,484 | 3,332 |
| (iii) Licence Fees | 600 | 486 | -- |
| (iv) Other Revenue | -- | -- | -- |

2:2:2 Court Fines

Action had not been taken to recover court fines amounting to Rs.253,650 recovered by the Magistrate’s Court Kalmunai upto 31 December 2010 and remitted to the Provincial Commissioner of Revenue.

2:2:3 Stamp Fees

The stamp fees recoverable from the Registrar General as at 31 December 2010 had not been computed and accounted for.

2:3 Expenditure Structure

The budgeted and the actual expenditure of the Sabha for the year under review and the variances, are shown below.

| Item of Expenditure ----- | Budgeted ----- Rs.’000 | Actual ----- Rs.’000 | Variance ----- Rs.’000 |
|------------------------------|------------------------------|----------------------------|------------------------------|
| <u>Recurrent Expenditure</u> | | | |
| Personal Emoluments | 17,699 | 10,529 | 7,170 |
| Others | 26,609 | 10,020 | 16,589 |
| | ----- | ----- | ----- |
| Sub-total | 44,308 | 20,549 | 23,759 |
| Capital Expenditure | 14,500 | 10,165 | 4,335 |
| | ----- | ----- | ----- |
| Grand Total | 58,808 | 30,714 | 28,094 |
| | ===== | ===== | ===== |

2:4 Human Resources Management

 Approved and Actual Cadre

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

| <u>Category of Post</u> | <u>Approved</u> | <u>Actual</u> |
|-------------------------|-----------------|---------------|
| Staff Grade | 01 | 01 |
| Secondary Grade | 05 | 12 |
| Primary Grade | 13 | 11 |
| Others (Casual) | -- | 18 |
| | ----- | ----- |
| | 19 | 42 |
| | ==== | ==== |

2:5 Contract Administration

 Delay in Implementation of Projects

Long delays were observed in implementing the following projects.

| <u>Project</u> | <u>Estimated Cost</u> | <u>Date of Commencement</u> | <u>Expected date of completion</u> | <u>Expenditure upto 31 December 2010</u> | <u>Reason for the delay</u> |
|------------------|-----------------------|-----------------------------|------------------------------------|--|---|
| ----- | ----- | ----- | ----- | ----- | ----- |
| | Rs. | | | Rs. | |
| Office Buildings | 4,867,840 | 12.08.2009 | 12.02.2010 | 973,251 | Temporarily suspended by the Commissioner of Local Government |

2:6 Internal Audit

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

3. Systems and Controls

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

- (a) Accounting
- (b) Control Over Fixed Assets
- (b) Revenue Administration