

Rajanganaya Pradeshiya Sabha
Anuradhapura District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year under review and the preceding year, had been presented to audit on 04 April 2011 and 21 April 2010 respectively.

1.2 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the year ended 31 December 2011 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

A summary of accounting deficiencies existed in the financial statements and the effects on the financial statements there from is given below.

Nature of Deficiency	No. of Items	Effects on Financial Statements			
		Revenue Rs.'000	Expenditure Rs.'000	Liabilities Rs.'000	Assets Rs.'000
(a) Overstatements in the Financial Statements	01	-	-	135	-
– do -	01	-	135	-	-
– do -	02	805	-	-	-
(b) Understatements in the Financial Statements	01	-	-	969	-
(e) Omissions from Financial Statements	01	-	-	-	289
(f) Inappropriate disclosures in the Financial Statements	01 02	660 -	- 440	- -	- -

1.3.2 Un-reconciled Accounts

According to the financial statements the total of 13 items of accounts balances amounted to Rs.112,161,038 where as such balances according to the subsidiary books/records totalled Rs.33,907,390.

1.3.3 Unexplained Differences

The following observations are made.

- (a) Even though the revenue contributions to capital employed account should tally with the balance of fixed assets in terms of accounting system approved for the Pradeshiya Sabha, the balance of the fixed assets account as at the balance sheet date amounted to Rs.7,052,930 where as the balance of the revenue contributions to capital employed account amounted to Rs.14,109,226 showing a difference of Rs.7,056,296 between those 2 accounts.
- (b) The balance of the Bank of Ceylon Current Account as at the balance sheet date as per cash book amounted to Rs.59,686 but it was disclosed in the balance sheet as Rs.62,024. The reason for it had not been explained.

1.3.4 Fictitious Assets

Assets relating to 4 items disclosed as Rs.538,663 in the financial statements for the year under review had been observed as fictitious assets.

1.3.5 Lack of Evidence for Audit

Eight items of accounts totalling Rs.17,152,336 could not be satisfactorily vouched/verified in audit due to non-remission of information required for audit.

1.3.6 Non-Compliances

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

Reference to Laws, Rules,
Regulations Etc.

Non-compliance

(a) Pradeshiya Sabha Rules
of 1988(Financial and
administration)

Rule 184

Even though employees securities should be invested employees security deposit of Rs.29,618 had not been invested.

(b) Financial Regulations of the
Democratic Socialist
Republic of Sri Lanka
Financial Regulation 237 (a)
(b)

There were no certificate to ensure whether goods and services valued at Rs.278,088 had been qualitatively received to the stores as per agreement and whether goods were entered in the stock books.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the income over recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.380,762 as against the recurrent expenditure over income for the preceding year amounting to Rs.577,005.

2.2 Financial Control

According to the bank statement of the bank current account operated by the Sabha, the average bank balance during the year under review amounted to Rs.1,678,300. Attention had not been paid to identify the monthly cash requirement and to utilize the balance money in a fruitful investment.

2.3 Revenue Administration

The estimated revenue, actual revenue and arrears of revenue relating to the year under review and the preceding year presented to audit by the chairman are given below.

Item of Revenue	2010			2009		
	Estimated	Actual	Accumulated arrears as at 31 December	Estimated	Actual	Accumulated arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates & Taxes	-	-	-	3	-	3
Lease Rent	2,900	2,862	139	1,267	1,910	378
License Fees	600	558	310	454	420	437
Other Income	7,000	6,821	1,513	3,401	19,631	189

2.3.2 Courts Fines

Fines amounting to Rs.617,931 recovered by a Magistrate's Court under various Ordinances as at 31 December 2010 and remitted to the Chief Secretary were due to the Sabha.

2.3.3 Rates

Action had not been taken to recover rates on the annual value of immovable properties located within the area of authority of the Sabha named as developed areas in terms of Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

2.3.4 Other Income

 Taxes on the basis of reports of survey carried out in respect of industries, business enterprises and professions operated within the area of authority of the Sabha for the year 2010 in terms of Rules Nos. 59 and 67 of the Pradeshiya Sabha Rules (Financial and administration) of 1988 had not been recovered.

2.4 Expenditure Structure

Budgeted expenditure and actual expenditure of the Sabha for the year under review and the preceding year along with the relevant variances are given below.

Item of Expenditure	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
Recurrent Expenditure	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal Emoluments	8,127	5,222	2,905	7,615	5,162	2,453
Others	3,387	4,638	(1,251)	3,381	4,005	(624)
Sub Total	11,514	9,860	1,654	10,996	9,167	1,829
Capital Expenditure	4,150	16,834	(12,684)	800	17,847	(17,047)
Grand Total	15,664	26,694	(11,030)	11,796	27,014	(15,218)

2.5 Human Resource Management

2.5.1 Approved and Actual Cadre

(a) Particulars of approved and actual cadre of the Sabha as at 31 December 2010 are given below.

Grades of Employees	Approved	Actual
Staff	01	01
Secondary	-	02
Primary	10	07
Others (Casual/Temporary)	-	11
Total	11	21

(b) Staff had been recruited in excess of the limit approved by the Department of Management Services and the salaries and allowances paid to them

from the funds of the Sabha. Accordingly, salaries and allowances amounting to Rs.1,129,880 had been paid to 13 excess employees during the year under review, than the approved limit.

2.6 Assets Management

2.6.1 Accounts Receivable

The value of accounts receivable balances as at 31 December 2010 amounted to Rs.52,292,568 out of which the account balances remained for more than 01 year totalled Rs.1,904,931.

2.6.2 Outstanding Staff Loans

The balances of loan advances as at 31 December 2010 amounted to Rs.1,213,195. The loan balance recoverable from 13 employees who had vacated posts and non-availability of details at present amounted to Rs.118,296. Action had not been taken to recover this balance in terms of Section 4.5 of Chapter xxiv of the Establishments code.

2.6.3 Unverified Assets

The value of assets valued at book balances and not confirmed by board of survey reports as at 31 December 2010 amounted to Rs.15,294,265.

2.7 Irregular Transactions

In terms of Section 2.1 of Chapter xv of the Establishments code of the Democratic Socialist Republic of Sri Lanka, foreign educational program should be coordinated by the Secretary to the Ministry. Nevertheless, sum of Rs.118,000 had been paid for an educational program for which the Chairman had participated without the approval of the Secretary to the ministry.

2.8 Performance

In terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987, a corporate plan in cooperating the activities to be performed in the future years relating to health, roads and common utility services for the benefit and welfare of the people living in the area of authority of the Pradeshiya Sabha and an action plan to perform the activities expected to be implemented during the year under review had not been prepared and implemented.

2.9 Internal Audit

An adequate internal audit had not been carried out in the Sabha.

03. Systems and Controls

Special attention is drawn in respect of the following areas of control.

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