

Rambewa Pradesghiya Sabha
Anuradhapura District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial statements of the year under review and the preceding year had been presented to audit on 02 May 2011 and 04 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 2010 of the Rambewa Pradeshiya Sabha, presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

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

Nature of Deficiency	No. of Items	Effects on Financial Statements			
		Income	Expenditure	Assets	Liabilities
		Rs.000'	Rs.000'	Rs.000'	Rs.000'
(a) Over statements in the financial statements	01	85	-	-	-
(b) Omission from financial statements	01	-	-	-	15
-do-	02	-	-	129	-
-do-	01	07	-	-	-
-do-	01	-	19	-	-
(c) Inappropriate disclosures in the financial statements	04	-	-	-	2,374
	03	-	-	1,318	-

1.3.2 Unreconciled Accounts

The total of 5 items of accounts as per financial statements amounted to Rs.20,898,288 whereas according to the subsidiary records/books the balance of such accounts totalled Rs.7,220,703.

1.3.3 Accounts Payable

The value of account balances payable remained for more than 01 year as at 31 December 2010 amounted to Rs.341,970.

1.3.4 Lack of Evidence For Audit

Four items of accounts totalling Rs.433,738 could not be satisfactorily vouched/verified due to non-remission information required for audit.

1.3.5 Non-compliances

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

Reference to Laws, Rules Regulations etc. -----	Non-compliance -----
(a). Pradeshiya Sabha rule (Financial and Administration of 1988) -----	
(i) Rule 180	Security deposit had not been kept by the Acting Secretary of the Sabha.
(ii) Rule 194	All properties should be included in an Inventory register as 45 but it had not been so done.
(b). Financial Regulations (F.R) of the Democratic Socialist Republic of Sri Lanka -----	
F.R. 571	Deposits amounting to Rs.358,413 made in the year 2007 had not been taken to revenue.

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.1,022,253 as compared with the revenue over recurrent expenditure for the preceding year amounted to Rs.1,544,356.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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	320	166	255	220	140	215
Lease Rent	1,109	701	221	1,018	647	24
License Fees	600	868	202	600	729	125
Other Income	200	0	324	850	18	981

2.2.2 Court Fines

Fines amounting to Rs. 98,166 collected by a Magistrate's Court under various Ordinances and remitted to the Chief Secretary as at 31 December 2010 were due to the Sabha.

2.2.3 Taxes and on Undeveloped Lands

Annual tax of 2% of on the capital ground value of undeveloped lands within the area of authority of the Sabha in terms of Section 153 (i) of the Pradeshiya Sabha Act No. 15 of 1987 had not been recovered.

2.2.4 Stamp Duty

Stamp fees of Rs.870,800 were receivable from the Registrar General as at 31 December 2010.

2.2.5 Arrears of Lease Rent

Out of the arrears of lease rent amounting to Rs.220,700 shown in the balance sheet as at 31 December 2010, a sum of Rs.104,450 and a sum of Rs.116,250 had been related to the year 2006 and 2009 respectively.

2.2.6 Trade Stall Rent

 The monthly trade stall rent should be determined on the basis of an assessment made by the Chief value or the Valuer of the Local Government Service in terms of Circular No. NCP/KG/9/7/19 dated 04 August 1994 of the Commissioner of Local Government and the assessment rent should be revised at least once in 5 years. Nevertheless the rent of trade stalls belonging to the Sabha had stood unchanged on a decision of the Sabha taken 10 years ago.

2.2.7 Rates

 As the arrears of rates had not been recovered in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987, an arrears of rates amounting to Rs.255,410 had arisen as at 31 December 2010 out of which a sum of Rs.121,250 or 47 per cent had been the arrears for more than 5 years.

2.2.8 License Fees

 Any place within the area of authority of the Sabha can be authorized to a person to operate production of goods or services, trade or distribution only of that person has obtained a license issued under Section 147 of the Pradeshiya Sabha Act No. 15 of 1987. Nevertheless a sum of Rs.118,250 was receivable as license fees from 65 persons who had used places for such purposes as at 31 December 2010.

2.3 Expenditure Structure

 The budgeted and actual expenditure of the Sabha for the year under review and the preceding year with relevant variances 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'
Personal Emoluments	6,500	6,326	174	7,817	6,402	1,415
Others	2,200	2,170	30	3,248	1,745	1,503
Sub Total	8,700	8,496	204	11,065	8,147	2,918
Capital Expenditure	500	518	(18)	450	3,614	(3,164)

Grand Total	9,200	9,014	186	11,515	11,761	(246)
	=====	=====	=====	=====	=====	=====

2.4 Human Resource Management

2.4.1 Approved and Actual Cadre

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

Grades of Employees -----	Approved -----	Actual -----
Staffs	01	01
Secondary	02	02
Primary	10	07
Others (Casual/Temporary)	-	11
	-----	-----
Total	13	21
	=====	=====

2.5 Assets Management

2.5.1 Idle Resources

Equipment valued at Rs.541,000 had been given to the Saba in the year 2007 by the North Central Province Chief Ministry to commence and popularized a rice flour related bakery product project but such equipment had become idle as the project had not been commenced.

2.5.2 Outstanding Staff Loans

Outstanding loan advance balances as at 31 December 2010 totalled Rs.908,050 out of which balances remained outstanding for more than 03 years amounted to Rs.108,379.

2.5.3 Immovable Current Assets

The value of immovable assets remained for more than 01 year as at 31 December 2010 amounted to Rs.36,020.

2.5.4 Unverified Assets

The value of assets computed at book values and not continued by board of survey reports as at 31 December 2010 amounted to Rs.10,530,318.

2.6 Identified Losses and Damages

A proper cause of action had not been taken to recover the loss of 513 books valued at Rs.38,697 due to non-handing over those books by borrowers as at 15 December 2010. Certain books had been borrowed and not returned for more than 08 years.

2.7 Transactions not Covered by Adequate Authority

(a). A sum of Rs.10,800 had been paid to a Architecture on 02 July 2010 to prepare the plan for the upstairs of the Rambewa Pradeshiya Sabha. The authority to pay this money to a third party was not made available for audit despite there were sufficient Technical Officers in the Sabha.

(b). Even though the arrears of revenue, staff loans and assets valued at Rs.441,579 had been written off against the accumulated fund during the year under review the approval of the Sabha had not been obtained therefore.

2.8 Irregular Transactions

In terms of Section 13.7 of Chapter vii of the establishments code of the Democratic Socialist Republic of Sri Lanka, a formal letter of appointment should be required for the payment of acting allowances. Nevertheless, a sum of Rs.60,084 at Rs.5,007 per mensun had been paid to the Secretary to the Sabha as acting allowances during the period January to December 2010 without such a letter of appointment.

2.9 Performance

In terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 a Corporate plan, comprising 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 Sabha and an action plan to perform the activities expected to be implemented during the year under review had not been prepared and implemented.

2.10 Contract Administration

In terms of paragraph 56 of the conditions of contracts of the ICTAD Series No. SCA/1 payments for work done should be made only on the measurement basis and not on the basis of machine hours. Nevertheless, a sum of Rs.51,600 had been paid to a contractor on the basis of machine hours during the year under review. The final measurement report in this regard had also not been furnished.

2.11 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