

Sooriyawewa Pradeshiya Sabha
Hambantota District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 May 2011 and the financial statements for the preceding had been presented to audit on 26 April 2010.

1:2 Opinion

In view of the comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Sooriyawewa Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1:3 Comments on Financial Statements

1:3:1 Accounting Policies

The accounting policies adopted by the Sabha had not been disclosed with the financial statements.

1:3:2 Accounting Deficiencies

(a) Adequate information and particulars of reference relating to the Journal Entries used for accounting purposes needed for the identification of the respective transactions had not been presented, while those had not been correctly copied to the accounts.

(b) The value of fixed assets purchased in the year under review amounting to Rs.219,425 had not been debited to the respective assets accounts and credited to the Revenue Contribution to Capital Outlay Account.

(c) A sum of Rs.226,890 out of the outstanding license fees and rates treated as irrecoverable and written off in the year under review had been debited to the License Fees Control Account in the General Ledger, thus overstating the

outstanding licences fees balance as at 31 December 2010 by a sum of RS.453,780.

- (d) Revenue expenditure amounting to Rs.10,489 incurred in the year under review for the purchase of consumable articles had been capitalized.
- (e) Deficiencies observed at the examination of the Deposit Account are given below.
 - (i) The opening credit balance of the Sundry Deposits Account amounting to Rs.488,631 had been posted as a debit to that account, thus understating the balance of the Sundry Deposits Account as at 31 December 2010 by that amount.
 - (ii) Even though a sum of Rs.60,300 had been credited to the Deposits for Revenue Account by Journal Entry No 10, that amount had been credited to the Sundry Deposit Account as well. Thus the balance of the Sundry Deposits Account as at 31 December 2010 had been overstated by that amount.
 - (iii) According to the Licence Fees Control Account maintained in the General Ledger, the debit balance as at 31 December 2010 should have been Rs.707,630 whereas that balance had been shown in the balance sheet at Rs.253,850. Thus the difference amounted to Rs.453,780.
 - (iv) According to Journal Entry No. 13, the difference of Rs.108,750 in the Security Deposits Account had been debited to the Accumulated Fund and Deficits Account and credited to the Security Deposits Account. According to the General Ledger, that amount had been recorded in the debit side of both accounts.
 - (v) A sum of Rs.40,000 received as bid deposits under 08 receipts in August of the year under review had not been credited to that Account.

- (f) A difference of Rs.2,979,690 under 04 items was observed between the General Ledger and the financial statements.
- (g) Even though a sum of Rs.18,470 had been paid as the interest for the last quarter of the year under review on the loans obtained from the Local Loans and Development Fund, that amount had not been included in the Interest Payments, Dividends and Bonuses amounting to Rs.66,401 appearing in the Income and Expenditure Account.
- (h) According to the confirmation of balances of fixed deposits as at 31 December 2010 presented, the value of fixed deposits amounted to Rs.2,793,050. That balance had been understated in the balance sheet by a sum of Rs.793,050.
- (i) Even though the sum receivable as at 31 December 2010 from the Ceylon Electricity Board for the maintenance of street lights amounted to Rs.78,304, that had been shown in the balance sheet as Rs.200,000 thus resulting in an overstatement of Rs.121,696.
- (j) Even though the Key money of Rs.296,324 payable for the trade stalls constructed at the weekly fair at Sooriyawewa had been paid in full by the Stall holders to the sabha, that amount had been retained in the Sundry Deposit Account balance even up to 31 December 2010 without being adjusted to the respective accounts.

1:3:3 Unreconciled Control Accounts

The balances of 04 items of account according to the Control Accounts totalled Rs.2,963,533 while the balances of those accounts according to the subsidiary registers totalled Rs.2,980,211 and the difference amounted to Rs.16,678.

1:3:4 Lack of Evidence for Audit

(a) Unanswered Audit Queries

Replies to 04 audit queries had not been furnished by 31 December 2010 and the value of quantifiable transactions relating to those audit queries amounted to Rs.1,210,416. The age analysis of the unanswered audit queries is given below.

Audit Queries

03 Months to 01 year	02
Over 01 year to 02 yeras	02

(b) Non – submission of Information to Audit

- (i) Transactions totalling Rs.4,201,658 could not be satisfactorily vouched in audit due to the non – submission of information required for audit.
- (ii) According to the General Ledger, a sum of Rs.2,143,617 from 07 items of account had been debited to the Accumulated Fund and Deficits Account through Journal Entries in the year under review. The information required to identify those adjustments had not been furnished to audit.

1:3:5 Non-compliances

Non-compliance with the provisions of the following laws, rules and regulations and the management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non - compliance
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(a) Pradeshiya Sabha Act, No. 15 of 1987	
----- Section 47 (1)	The issue of Building Permits in the area of authority of the Sabha had not been done properly.
(b) Pradeshiya Sabha (Financial and Administrative) Rules – 1988	
----- Rule 126	Sabha had not maintained the Votes Ledger in the proper manner.

(c) Financial Rules of the Southern
Provincial Council

Rule 181:2

“PAID” seal had not been stamped on certain paid vouchers.

(d) Financial Regulations of the
Republic of Sri Lanka

(i) Financial Regulation 189

Action had not been taken on cheque No. 073599 for Rs.32,636 received by the Sabha dishonoured subsequently.

(ii) Financial Regulations 1645
and 1646

Monthly Performance Summarizes and Daily Running Charts of 10 motor vehicles had not been furnished to the Auditor General.

1.3.6 Deficiencies in Maintenance of Books and Registers

Books and 04 Registers that should be maintained by the Sabha had not been maintained.

02. 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.337,618 as compared with the excess of revenue over the recurrent expenditure amounting to Rs.447,002 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 is given below.

	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Cumulative Arrears as at 31 December	Estimated	Actual	Accumulative Arrears as at 31 December
	----- Rs.'000	----- Rs.'000	----- Rs.'000	----- Rs.'000	----- Rs.'000	----- Rs.'000
License Fees	254	743	254	380	134	1,223
Warrant Costs and Fines	1,700	873	827	291	291	--
Other Revenue	357	157	200	--	--	--

2:2:2 Courts Fines

The sum of Rs.827,000 recovered up to 31 December 2010 by the Magistrates' Court under various Ordinances and remitted to the Chief Secretary remained receivable by the Sabha.

2:2:3 Arrears Trade Licence Fees

Action had not been taken in terms of Section 149 of the Pradeshiya Sabha Act, No. 15 of 1987 to recover the arrears of trade licence fees amounting to Rs.253,850 as at 31 December 2010.

2:2:4 Arrears Trade Stall Rents

Action had not been taken in terms of Section 159 of the Pradeshiya Sabha Act, No. 15 of 1987 to recover the arrears of trade stall rents amounting to Rs.230,450 as at 31 December 2010.

2.2.5 Advertising Hoarding Charges

Charges had not been recovered for the erection of advertising hoardings in terms of section 126 (vii) E of the Pradeshiya Sabha Act, No.15 of 1987.

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	2010			2009		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal Emoluments	9,662	10,594	(932)	8,881	10,135	(1,254)
Others	9,578	6,331	3,247	7,846	5,778	2,068
Sub-total	19,240	16,925	2,315	16,727	15,913	814
Capital Expenditure	49,350	8,053	41,297	58,900	15,499	43,401
Grand Total	68,590	24,978	43,612	75,627	31,412	44,215

2:4 Human Resources Management
Approved and Actual Cadre

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

<u>Grades of Employees</u>	<u>Approved</u>	<u>Actual</u>
Staff	01	01
Secondary	06	09
Primary	13	16
Other (Casual, Temporary)	19	19

2:5 Assets Management

2:5:1 Accounts Receivable

The balances of accounts receivable as at 31 December 2010 amounted to Rs.5,509,738.

2:5:2 Staff Loans Receivable

(a) The staff loans and advances recoverable as at 31 December 2010 totalled Rs.1,599,933.

(c) A sum of Rs.175,374 remained recoverable as at 31 December 2010 from 03 officers transferred out. Even though those loan balances should have been recovered in one lump sum, those were recovered in installments.

2:6 Irregular Transactions

According to the Rule 4.2.1 of the Southern Provincial Council, the approve of this secretary to the Ministry of Local Government should be obtained for repairs costing more than Rs.100,000. Nevertheless, the Sabha had paid a sum of Rs.178,504 on 19 March 2010 for carry out repairs to the double cab motor vehicle no LE 7476 without obtaining with approved.

2:7 Operating Inefficiencies

In terms of provisions of the Declaration of Assets and Liabilities Act, No. 1 of 1975 as amended by the Amendment Act, No. 74 of 1988 and the Circular No. 04/1994 dated 18 February 1994 issued in connection therewith by the Ministry of Justice, the Declarations of Assets and Liabilities should be obtained from the Chairman and the Members of the Pradeshiya Sabha. Nevertheless, none out of the 05 members of the Sabha including the Chairman had submitted such declarations for the year ended 31 March 2011.

2:8 Internal Audit

An adequate internal audit of the institution had not been carried out.

03. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Motor Vehicles Control