

Thanamalwila Pradeshiya Sabha
Monaragragala District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented on 30 March 2011 and the financial statements for the previous year had been presented for audit on 18 March 2010.

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 Thanamalwila 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 report, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Thanamalwila 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 Deficiencies

- (a) The sum of Rs.1,174,350 received for repairing the cab of the Sabha had been accounted under the other revenue instead of being credited under capital aid.
- (b) Instead of debiting the prepayments account, the Accumulated Fund Account had been debited with regard to the overpayment of the Rs.33,900 made to the Ceylon Electricity Board.
- (c) The advance of Rs.2,500 paid during the year under review had not been accounted for.
- (d) The sum of Rs.120,000 receivable from 6 trade stalls at the Thanamalwila week End Fair had been accounted under capital revenue.

- (e) The transport expenses of Rs.453,389 incurred during the year under review had been erroneously accounted under expenditure on travelling.
- (f) The values of the Sevanagala sub office building and office equipment in it had not been assessed and brought to account.

1:3:2 Unreconciled Control Accounts

The balances of 3 items of accounts aggregated Rs.1,479,479 as per Control Accounts whilst the balances aggregated Rs.1,374,754 as per subsidiary registers / reports.

1:3:3 Accounts Payable

The balances of accounts payable which had exceeded 1 year as at 31 December 2010 amounted to Rs.2,480,395.

1:3:4 Lack of Evidence for Audit

Non- rendition of Information for Audit

Transactions aggregating Rs.176,790 could not be satisfactorily vouched in audit due to lack of necessary information.

1:3:5 Non compliance

The following non-compliances with the Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988	
----- (i) Rule No. 14.1	An expenditure of Rs.8,999,485 had been incurred exceeding the budgeted provision and without approving the supplementary estimates.

- (ii) Rule No.193 A statement explaining the surplus / deficit under each item of revenue and expenditure and explanations thereof had not been furnished to the Auditor General.
- (iii) Rule No.217 A register in Form Specimen P.S 46 had not been maintained with regard to all land and buildings of the Sabha.
- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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- (i) No.387 According to the cash book of Accounts No.506 and 2,033 of the Sabha, there were credit balances of Rs.436,992 and Rs.6,381 respectively as 31 December 2010.
- (ii) No.396(c) Action had not been taken in terms of the regulation with regard to 5 lapsed cheques valued at Rs.22,078 as at 31 December 2010.
- (iii) No.751(1) Purchases valued at Rs.508,589 had not been entered in the stock book.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the income exceeding the recurrent expenditure of the Sabha as at 31 December 2010 amounted to Rs.21,914 as compared with the income exceeding the recurrent expenditure of the previous year amounting to Rs.3,380,921.

2:2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue is shown 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'
Lease Rent	3,425	4,015	590	3,504	3,257	247
License fees	1,103	598	505	1,480	631	849
Other revenue	16,537	27,812	11,275	13,262	15,666	2,404

2:2:2 Court fines

Fines amounting to Rs.1,500,000 recovered by 2 Magistrates' Court under various Ordinances upto 31 December 2010 and remitted to the Provincial Commissioner of Revenue remained recoverable by the Sabha.

2:2:3 Stamp Fees

Stamp Fees amounting to Rs.112,800 was due from the Register General as at 31 December 2010.

2:2:4 Arrears of Revenue

Action had not been taken to recover the arrears of lease rent amounting to Rs.893,565 remaining unrecovered for many years from beef stalls, fish stalls, week end fair and public lavatories.

2:3 Expenditure Structure

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

Expenditure Item -----	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Recurrent Expenditure -----						
Personal Emoluments	14,066	15,661	(1,595)	13,276	14,047	(771)
Other Expenditure	8,818	6,988	1,830	4,820	4,772	48
Sub Total	22,884	22,649	235	18,096	18,819	(723)
Capital Expenditure	5,200	7,539	(2,339)	8,690	1,735	6,955
Grand Total	28,084	30,188	(2,104)	26,786	20,554	6,232

2:4 Surcharges

According to the surcharges imposed by me under Section 172(3) of the Pradeshiya Sabha Act No.15 of 1987 against those who were responsible, the surcharges recoverable as at 31 December 2010 amounted to Rs.672,220.

2:5 Human Resources Management

2:5:1 Approved and Actual Cadre

The information relating to the approved and actual cadre of the Sabha as at 31 December 2010 are shown below.

Employees' Grade -----	Approved	Actual
Staff	02	01
Secondary	16	13
Primary	25	23
Others (Casual / Temporary)	-	27

2:5:2 Irregular Appointments

A revenue collector had been suspended from duties a per letter dated 21 December 2009 issued by the Commissioner of Local Government, for furnishing forged educational certificates. Later, he had been appointed as Casual Road Labourer from 1 January 2010 by the Chairman. A sum of Rs.215,388 had been paid upto 31 December 2010 as salaries, allowances, contributions to the Employees' Provident Fund and contributions to the Employees Trust Fund.

2:6 Assets Management

Employees' Loans Recoverable

The employees' loans recoverable as at 31 December 2010 aggregated Rs.1,287,861 whilst the arrears of balances exceeding 1 year aggregated Rs.133,804.

2:7 Vehicle Utilization

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- (a) Observation reports from the Examiner of Motor Vehicles before and after the repairs to vehicles amounting to Rs.86,388 had not been obtained.
 - (b) A sum of Rs.45,000 had been paid without following the procurement procedure for utilizing a lorry for 18 days to fix street lamps.
 - (c) A sum of Rs.283,700 had been paid for using a hired vehicle deviating the procurement procedure and without the approval of the Commissioner of Local Government. It was informed that out of this amount a sum of Rs.181,700 referred to the Chairman's daily trips on duties. However, documentary evidence to confirm the official travel was not available.

2:8 Losses and Damages

During the year under review, a sum of Rs.15,769 had been paid as surcharges as result of the delay in payment of Employees' Provident Fund and Employees' Trust Fund contributions.

2:9 Transactions without Adequate Authority

The following observations are made.

- (a) A sum of Rs.1,008,262 had been paid from the Sabha's Fund on 12 May 2010 for uniforms to pre school children and teachers without the approval of the Minister in charge of the subject and the Commissioner of local Government. Meanwhile, the granting of approval had been turned down by the letter dated 22 July 2010 of the Uva Commissioner of Local Government. These uniforms had not been distributed even by 3 November 2010.
- (b) During the year under review, a sum of Rs.160,670 had been spent on welfare expenses from the Sabha's Fund without the prior written approval of the Minister as required by Sections 132(J) and (L) of the Pradeshiya Sabha Act No.15 of 1987.
- (c) 383.12 litres of fuel, exceeding the approved limits of the Sabha had been used without obtaining the approval of the Government of Local Government.

2:10 Irregular Transactions

The following observations are made.

- (a) Purchases amounting to Rs.492,417 had been made on 19 instances without following Section 2.14 of the procurement procedure of 2006 and Section 2:14:1 of the related hand book.
- (b) The rent for a motor grader amounting to Rs.961,421 had been paid for renovating the damaged road and a sum of Rs.292,866 had been paid for fuel. These payments had been made without the recommendations of the technical officer and a work completion report.
- (c) A distress loan of Rs.50,000 had been paid to casual pre school assistant contravening Section 10.02 of chapter 24 of the Establishments Code.
- (d) Kumbuk plants of 323 square feet with a thickness of 1 ¼ inches had been purchased from an individual by paying Rs.57,494 for the construction work of a hanging bridge. The cheque drawn in this connection was in the name of the Sabha Secretary and the payments had been made to the client accordingly.

- (e) Out of the arrears of electricity bills payable at the time of taking over the Mahaweli Cultural Kendraya belonging to the Mahaweli Authority by the Sabha, a sum of Rs.119,977 had been paid from the Sabh Fund.
- (f) The ex-Chairman had taken away the telephone with him while relinquishing duties. Fees amounting to Rs.17,484 pertaining to telephone calls obtained by him after completion of official period had been paid by the Sabha.

2:11 Operating Inefficiencies

- (a) The planning committee had held its meetings only twice during 2010 to issue licences for construction of buildings. It had not met after July 2010. Only 5 out of 19 building applications furnished had been forwarded to the planning committee. Fourteen applications remaining had been personally approved by the Chairman.
- (b) The Sabha had not taken any action to evacuate unauthorized settlers from the land belonging to the Sabha regarding which the court had given a verdict to evacuate them.
- (c) The Value Added Tax of 2005 and 2006 amounting to Rs.237,241 had not been remitted to the Commissioner General of Inland Revenue even by 3 November 2010.
- (d) As a result of making payments for August, September and October 2010 while there was a credit balance of Rs.6,228 in the water bills a sum of Rs.18,654 had been overpaid.
- (e) The sum of Rs.8,354 recovered on behalf of the no pay leave for the year under review had not been remitted to the Commissioner of Local Government.
- (f) Withholding tax amounting to Rs.68,718 had not been recovered from the purchases valued at Rs.1,374,353 and remitted to the Commissioner General of Inland Revenue in terms of Section 153 of the Inland Revenue Act No.10 of 2006.
- (g) A watcher had been employed for day duties at the Sevenagala sub office while the staff was at work during the day time.

- (h) Although there were only 40 children at the Sevanagala pre school, 3 casual assistants had been employed.

2:12 Internal Audit

An 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) Internal Control
- (c) Revenue Administration