

Angunukolapelessa Pradeshiya Sabha
Hambantota District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 27 May 2011 and the financial statements for the preceding year had been presented on 09 June 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 Angunukolapelessa Pradeshiya Sabha had maintained 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 Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Angunukolapelessa Pradeshiya Sabha as at 31 December 2010 and the financial results of its operations for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following observations are made

- (a) The Journal Entries used for accounting purposes did not include adequate information and particulars of references to facilitate easy identification of transactions relating to the Journal Entries.
- (b) The balance stock of electrical equipment as at the end of the year under review had been understated by a sum of Rs.37,475.

- (c) The sum of Rs.160,944 receivable for the year under review for the maintenance of street lights had not been treated and brought to account as revenue for the year under review.
- (d) Capital expenditure amounting to Rs.39,450 incurred in the year under review had been brought to account as recurrent expenditure.
- (e) Expenditure amounting to Rs.832,191 incurred under 06 Heads of Expenditure during the year under review had been debited to other Heads of Expenditure instead of debiting to the relevant Heads of Expenditure.
- (f) The value of 59 books received as donations to the Sabha Library in the year under review had not been quantified and brought to account.
- (g) The furniture and equipment valued at Rs.725,786 purchased for the Sabha Meeting Hall had been brought to account as Rs.502,697, thus resulting in an understatement of Rs.223,089.
- (h) A sum of Rs.1,748,500 paid during the year had also been taken into consideration in making provision for the Works Creditors as at the end of the year under review, thus overstating the capital expenditure by that amount. The provision for creditors had also been overstated by that amount.
- (i) It was observed that a sum of Rs.7,946,931 received from the sundry debtors in the year under review had been credited to the Capital Grants (3.80) Account. Nevertheless according to Journal Entry 17 only a sum of Rs.5,612,320 had been debited to that account and credited to the Debtors Account. Thus the receipts from debtors had been understated by a sum of Rs.2,334,611.

1:3:2 Unreconciled Control Accounts

The balances of 05 items of account according to the Control Accounts totalled Rs.1,836,396 whereas according to the subsidiary registers the balances of the accounts totalled Rs.1,684,692.

1:3:3 Suspense Accounts

The balances of the Suspense Accounts as at 31 December 2010 totalled Rs.665.

1:3:4 Lack of Evidence for Audit

(a) Unanswered Audit Queries

Replies to 05 audit queries had not been furnished by 31 December 2010 and the value of quantifiable transactions relating to those queries amounted to Rs.2,386,133.

(b) Non-submission of Information to Audit

Four items of assets totalling Rs.69,709,242 could not be satisfactorily verified in audit due to the non – submission of the information such as confirmation of balances and detailed schedules.

1:3:5 Non-compliances

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

(a) Pradeshiya Sabha (Financial and Administrative) Rules – 1988

- (i) In terms of Rule 164, the Secretary or an officer authorized by him should examine the accounts and documents of the Sabha daily and confirm such position by initialling the documents. Nevertheless it had not been done according to a formal plan.
- (ii) In terms of Rule 188 a register in Form PS44 should be maintained for the all loans and repayment of loans. Nevertheless, the Sabha had not maintained such register for the loan of Rs.9,391,943 obtained from the Local Loans and Development Fund.

(iii) An annual survey of the lands and buildings owned by the Sabha had not been conducted in terms of Rule 218.

(b) Financial Regulations of the Republic of Sri Lanka

(i) Even though the officer certifying payment vouchers should certify the payment by signing the vouchers in terms of Financial Regulation 138. Nevertheless, certain vouchers had not been signed by the officer certifying the payments.

(ii) According to Financial Regulation 139 (7) the “PAID” seal should be stamped on the voucher to the effect that the net amount shown on the face of the vouchers is correct and that the payment has been made while an authorized officer should initial such stamp. It had not been so done in connection with certain vouchers.

(iii) According to Financial Regulation 371 (2) any sub – imprest granted for a purpose should be settled immediately after the completion of the purpose. Nevertheless, advances amounting to Rs.829,234 granted in the year under review and the preceding years had not been settled.

(iv) Action in terms of Financial Regulation 396 (d) had not been taken on 06 lapsed cheques valued at Rs.13,537.

(v) Even though the Monthly Performance Summaries and Daily Running Charts of motor vehicles should be furnished to the Auditor General in terms of Financial Regulations 1645 and 1646, those in respect of 06 motor vehicles had not been furnished in the year under review.

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.3,363,687 as compared with the corresponding excess of revenue over the recurrent expenditure amounting to Rs.1,456,805 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 by the Chairman is given below.

	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Cumulative Arrears as at 31 December	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lease Rents	5,034	5,012	70	4,123	4,113	68
Licence Fees	352	325	103	261	223	76
Warrant Costs and Fines	3,537	202	3,300	3,295	1,195	2,511
Other Revenue	2,463	2,268	194	--	--	--

2:2:2 Courts Fines

Court fines amounting to Rs.2,656,337 collected under various Ordinances by a Magistrate's Court up to 31 December 2010 and remitted to the Chief Secretary remained receivable by the Sabha.

2:2:3 Stamp Fees

Stamp fees amounting to Rs.643,245 remained receivable as at 31 December 2010 from the Registrar General.

2:2:4 Outstanding Trade Licence Fees

A sum of Rs.102,050 remained recoverable as at 31 December 2010 due to the failure to recover the Trade Licence Fees properly in terms of Section 149 of the Pradeshiya Sabha Act, No. 15 of 1987.

2:2:5 Outstanding Trade Stall Rents

A sum of Rs.21,302 remained recoverable as at 31 December 2010 due to the failure to recover the trade stall rents properly in terms of Section 159 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	9,167	9,635	(468)	9,152	8,613	539
Emoluments						
Others	3,498	5,890	(2,392)	3,405	4,360	(955)
Sub-total	12,665	15,525	(2,860)	12,557	12,973	(416)
Capital Expenditure	2,900	67,305	(64,405)	3,140	93,250	(90,380)
Grand Total	15,565	82,830	(67,265)	15,697	106,493	(90,796)

2:4 Surcharges

The sum recoverable as at the end of the year under review on 07 surcharges issued by me in terms of Statutory provisions during the period 1975 – 1988 amounted to Rs.24,662.

2:5 Human Resources Management

2:5:1 Approved and Actual Cadre

(a) Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

<u>Category of Posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grades	01	01
Secondary Grades	08	12
Primary Grade	13	13
Other (Casual, Temporary)	--	14

(b) The Sabha had recruited and deployed in service and paid salaries to 14 casual and temporary employees without the formal authority in terms of the Management Services Circular No. 28 of 10 April 2006, No. 28 (i) of 10 May 2006 and No. 28 (ii) of 01 August 2006.

2:6 Assets Management

2:6:1 Accounts Receivable

The value of the balances of accounts receivable as at 31 December 2010 amounted to Rs.23,990,696 and the balances older than 01 year totalled Rs.400,475.

2:6:2 Staff Loans Recoverable

- (a) The balances of staff loans and advances recoverable as at 31 December 2010 amounted to Rs.1,403,281 and the balances of outstanding accounts older than 01 year totalled Rs.228.
- (b) A sum of Rs.89,782 remained recoverable as at 31 December 2010 from 03 officers transferred out. Even though those staff loan balances should have been recovered in one lump sum, it was observed that they are being recovered in installments.

2:6:3 Non – moving Current Assets

The value of tube well equipment that remained without being issued for over 01 year as at 31 December 2010 amounted to Rs.58,018.

2:7 Operating Inefficiencies

- (i) Nine members of the Sabha had not submitted the Declarations of Assets and Liabilities for the year 2010 in terms of the 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 that connection by the Ministry of Justice.
- (ii) The issue orders relating to the issue of electric bulbs for street lights issued by the Electrician did not indicate the locations where the bulbs should be fixed and the reports submitted by him had not been checked and certified by a responsible officers to establish that the bulbs issued had been fixed.
- (iii) Out of the 480 CFL bulbs purchased in the year 2010, the Electrician had been issued with 355 bulbs in December and reports on fixing 47 of those bulbs had been submitted. Evidence of fixing the balance 288 bulbs was not produced to audit.

2:8 Motor Vehicles Control

- (i) Even though the double cab motor vehicle No. 252-6468 had run 2,994 kilometres during the period 28 December 2010 to 14 January 2011 the particulars thereon were not furnished to audit. Even though 196 litres of diesel valued at Rs.14,367 had been issued, those had not been recorded in the Daily Running Charts.
- (ii) Even though 70 litres of diesel valued at Rs.5,131 had been issued on 04 and 05 January 2011 to the double cab motor vehicle No. 53-5713 those had not been recorded in the Daily Running Charts.
- (iii) The Sabha had issued 480 litres of diesel to 09 tractors obtained from outside for the Shramadan a programme carried out on 05 January 2011 for repainting the Weeragaswewa Road in the area of authority of the Sabha. That work had not been supervised and certified by a responsible officer while a Technical Officer had not prepared an estimate in advance.

2:9 Irregular Transactions

- (i) The Sabha had purchase a concrete block making machine for a sum of Rs.130,662 spent out of the Sabha Fund and that machine had been given to a Farmers' Organization in December 2010 on the basis of recovering a monthly hire charge of Rs.9,000. Procumbent procedures had not been followed for properly for that purpose while there was no decision of the Sabha with regard to the hire of the machine.
- (ii) Even though the machine was made available to the Farmers' Organization, it had not been recorded in the Inventory Register while there was no acknowledgement of the receipt of the machine by the said organization.

2:10 Maintenance of Books and Records

Six books and registers which should be maintained by the Sabha had not been maintained in the proper and updated manner.

2:11 Un-utilization of Provision

Estimates amounting to Rs.26,000 made under 04 Heads of Expenditure in the budget for the year 2010 had not been spent during the year under review.

2:12 Internal Audit

An adequate internal audit of 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) Stores Control