

Damana Pradeshiya Sabha

Ampara District

1 Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year 2010 had not been presented to audit on 31 December 2011 and the financial statements for the previous year had been presented on 24 June 2011.

1:2 Comments on Transactions, Operations and Performance

1:2:1 Bank Reconciliations

The bank reconciliations of 2 bank accounts of the Sabha for the period January to December 2010 had not been presented to audit.

1:2:2 Lack of Evidence for Audit

Unreplied Audit Queries

Replies had not been furnished for 6 audit queries relating to 2009 and 2010.

1:2:3 Non-compliance

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

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules	
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Rule 13	A certified copy of the budget had not been furnished to the Auditor General before commencement of the financial year.
Rule 19	Register of counterfoil books had not been kept safety. As a result, 2 receipt books had got misplaced.
(b) Financial Regulations of the Republic of Sri Lanka	

(i) 103,104	Necessary action had not been taken in terms of the financial regulations with regard to the accident caused to a vehicle of the Sabha on 17 November 2009.
(ii) 751	Although it is required to enter the material purchased in the register of stocks, the requirement had been overlooked in certain instances.
(iii) 139(10)(i)	The authorized officer had issued cheques for payments without inquiring whether sufficient balance to pay all payments were available. As a result, cash book showed an overdraft balance with regard to the Bank of Ceylon current account.
(iv) 396	Action had not been taken in terms of the provisions in regulations with

regard to cheques not presented for payments for over 6 months since the dates of issue.

(v) 756

A board of survey had not been conducted for the year 2010 with regard to inventory items.

2. Financial and Operating Review

2:1 Revenue Administration

2:1:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and arrears of revenue for the year under review and the previous year, as presented by the Chairman, is shown below.

Item of Revenue	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Cumulative Arrears as at 31 December	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	489.8	40	389.0	459.9	367	92.9
(ii) Lease Rent	982.0	896	86.0	921.0	888	33.0
(iii) Licence Fees	672.0	672	-	626.0	626	-
(iv) Other Revenue	394.0	396	-	249.0	-	249.0

2:1:2 Court Fines

The particulars of stamp fees due from the Registrar General as at 31 December 2010 had not been furnished.

2:2 Expenditure Structure

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

Item of Expenditure	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent Expenditure</u>						
Personal Emoluments	8,418	8,012	406	18,101	6,901	11,200
Others	2,678	2,275	403	2,280	2,280	--
Sub-total	11,096	10,287	809	20,381	9,181	11,200
Capital Expenditure	400	31,050	(30,650)	675	675	--
Grand Total	11,496	41,337	(29,841)	21,056	9,856	11,200

2:3 Human Resources Management

Approved and Actual Cadre

The information relating to the approved and actual cadre of the Sabha appears below.

As at 31 December 2010

<u>Grade of Employees</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	01	-
Secondary Grade	12	07
Primary Grade	26	17
Others (Casual/ Temporary)	-	07
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	39	31
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2:4 Assets Management

2:4:1 Idle/Underutilized Resources

A tractor and a trailer, the values of which had not been computed remained idle for over 4 years.

2:4:2 Employees' Loan Recoverable

The arrears of balances of employees' loan advances exceeding 1 year as at 31 December 2009 aggregated Rs.19,420.

2:5 Operating Inefficiencies

- (a) Instead of drawing cheques in favour of the recipient, a cash cheque for Rs.412,200 had been drawn.
- (b) Action had not been taken to pay in accordance with the agreement, the loan of Rs.1,150,000 obtained from the local loans and Development Fund on 07 July 2003 for developing the week end fair and the loan of Rs.800,000 obtained on 16 November 2007 for purchase of motor cycles.

- (c) Cheques drawn with regard to rebates from salaries for the months of February, April, June, August, September, October and November 2009 valued at Rs.188,604 had not been sent to the relevant institutions up to 31 December 2009.

2:6 Internal Audit

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) Financial Control