

Horowpathana Pradeshiya 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 10 June 2011 and 22 July 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 Horowpatana Pradeshiya Sabha for the year ended 31 December 2010 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies adopted by the Sabha in preparing financial statements had not been disclosed.

1.3.2 Accounting Deficiencies

A summary of the accounting deficiencies existed in the financial statements and the effects on the financial statements there from is 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) Omissions from financial statements.	01	-	-	Not Computed	-
	08	-	-	1,414	-
(b) Overstatements in the financial statements.	02	336	-	-	-
(c) Inappropriate disclosures in the financial statements	01	-	-	124	-
	01	-	-	-	217
	01	-	34	-	-

1.3.3 Un-reconciled Accounts

According to the financial statements the total balances relating two items of accounts amounted to Rs.35,908,209 whereas such balances according to the subsidiary records / books totalled Rs.30,019,710.

1.3.4 Accounts Payable

The value of accounts balances payable elapsed for more than 01 year as at 31 December 2010 amounted to Rs.106,788.

1.3.5 Lack of Evidence for Audit

Non-rendition of Information for Audit

Transactions totalling Rs.129,600 could not be satisfactorily vouched /verified in audit due to non-rendition of required information for audit.

1.3.6 Non-compliances

Non Compliance with the following laws, rules, regulations and management decisions were Observed.

Reference to Laws, Rules, Regulations Non Compliance
etc.

(a) Pradeshiya Sabha Rules (Financial
and Administration) of 1988

(i). 163

The summarized revenue register (P.S.19) for the Computation of revenue for the year had not been prepared.

(ii). 180

Security deposits had not been kept by the Secretary.

(b) Financial Regulations (FR) of the
Democratic Socialist Republic of
Sri Lanka

(i). F.R. 104

Even though a sum of Rs.201,346 had been spent for the repair of cab vehicle No. 252-6536 belonging to the Sabha which met with an accident the preliminary and the final report thereon had not been submitted.

(ii). F.R. 756

A board of survey had not been carried out during the year under review to verify the stores of the Pradeshiya Sabha.

(iii). F.R 1645 (a)

Even though a sum of Rs.767,809 had been spent for reports and change of tyres of the cab vehicle No. 252-6536 belonging to the Sabha during the year under review, such expenditure had not been posted to the log books.

(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka

Section 13.7 of Chapter vii

Without a formal letter of appointment, an acting allowance of Rs.51,450 at Rs.4,287 per mensum had been paid to the Secretary of the Sabha for the year 2010.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure over income for the year ended 31 December 2010 amounted to Rs.71,186 as against the income over recurrent expenditure for the preceding year amounting to Rs.777,041.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Particulars of estimated revenue, actual revenue and arrears of revenue relating to the year under review and the preceding year presented by the Chairman are given 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
(a). Rates and Taxes	187	126	275	184	285	256
(b). Lease Rent	2,373	1,739	2,169	2,230	1,683	1,842
(c). License Fees	650	453	1,035	640	452	1,041
(d). Other Income	2,721	828	838	3,402	1,183	1,552

2.2.2 Court Fines

Fines amounting to Rs.251,732 recovered by a Magistrates Court up to 31 December 2010 under various Ordinances and remitted to the Provincial Commissioner of revenue were due to the Sabha.

2.2.3 Stamp Duty

Stamp fees of Rs.300,000 were receivable from the Registrar General as at 31December 2010.

2.2.4 Trade Stall Rent

- (i). Out of the trade stall rent income to Rs.460,800 billed for the year under review, a sum of Rs.316,300 had not been recovered. Out of the arrears of Rs.797,055 as at 31December 2009, any amount what so ever had not been recovered during the year under review.

- (ii). The Sabha owns 21 trade stalls. It was revealed in audit that 13 of them had not generated any rent income since the year 2007. Non entering a formal agreement in renting out these stall had been the reason thereto. As steps had not been taken to rent out them again and the fund of the Sabha had incurred a loss of Rs.990,955.

2.2.5 Rates

Rates are being recovered by the Pradeshiya Sabha on the assessment carried out about 17 years ago. Even though considerable changes had been taken place to the properties action had not been taken to reassess the properties and to impose the rates.

2.3 Expenditure Structure

The budgeted expenditure and the actual expenditure of the Sabha for the year under review and the preceding year along 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	7,323	6,124	1,199	7,992	6,383	1,609
Others	3,880	3,061	819	4,209	1,445	2,764
Sub Total	11,203	9,185	2,018	12,201	7,828	4,373
Capital Expenditure	4,100	8,924	(4,824)	3,405	25,780	(22,375)
Grand Total	15,303	18,109	(2,806)	15,606	33,608	(18,002)

2.4 Human Resource Management

(a). Approved and Actual Cadre

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

Grade of Employees	Approved	Actual
(i). Staffs	01	-
(ii). Secondary	04	07
(iii). Primary	10	14
(iv). Others(Casual/ Temporary)	-	04
Total	15	25

(b) Ten Employees had been deployed by the Sabha in excess of the approved cadre and a sum of Rs.1,282,020 had been paid as salaries for the period from January to December 2010.

2.5 Assets Management

2.5.1 Idle Physical Resources

Bakery manufacturing equipment valued at Rs.613,500 had been given to the Sabha in the year 2007 by the North Central Chief Ministry to commence a project to popularize rice flour related bakery products even though additional expenditure of Rs.327,000 had been incurred for the establishment of the industry, all such assets had become idle as the project had not been commenced.

2.5.2 Accounts Receivable

The value of accounts balances receivable as at 31 December 2010 amounted to Rs.35,777,510 and the value of balances remained outstanding for more than 01 year amounted to Rs.115,242.

2.5.3 Outstanding Staff Loans

Outstanding loan and advance balances as at 31 December 2010 totalled Rs.824,481 and the outstanding balances remained for more than 01 year amounted to Rs.140,826.

2.5.4 Non-moving Current Assets

The value of non-moving assets remained for more than 01 year as at 31 December 2010 amounted to Rs.83,385.

2.5.5 Unverified Assets

The value of assets computed on book values as at 31 December 2010 but not confirmed by board of survey reports amounted to Rs.9,153,474.

2.6 Expenditure not Supported by Adequate Authority

The following observations are made.

- (a) Even though the approval of the Minister in charge of the subject should be obtained for the expenditure incurred for more than Rs.1,000 during a period of 01 year approval of the Minister had not been obtained in terms of Section 132 of the Pradeshiya Sabha Act No.15 of 1987 for the aids of Rs.97,000 paid during the year under review.
- (b) The approval of the Minister in addition to the approval of the Sabha should be obtained for the wave of any money due to the Sabha in terms of Section 182 of the Pradeshiya Sabha Act No.15 of 1987. Nevertheless an income of Rs.39,180 had been written off from books without obtaining such approval.

2.7 Operating Inefficiencies

Five per cent withholding tax amounting to Rs.32,689 collected in the year 2009 by the Sabha had not been remitted to the Commissioner General of Inland Revenue and carried forward.

2.8 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.

2.9 Contract Administration

The following matters were observed.

- (a) Even though the contract should be awarded only after testing the ability to carry out contracts of the Farmers Societies in terms of paragraph 3.12.2 of the National Procurement Guidelines five contracts valued at Rs.3,608,968 had been awarded to Farmers Societies in 05 instances in the year under review.
- (b) As the period of contracts had been extended at the discretion of the Chairman in respect of 05 works which had been delayed due to non completion of works at the date specified in the agreement, without the recommendation of the Technical Officer and without adducing any reasons, an opportunity had been deprived of the Sabha to recover the damage charges of Rs.27,000 from the payments.

2.10 Internal Audit

An adequate internal audit had not been functioned by the Sabha.

03. Systems and Controls

Special attention is needed in respect of the following areas of controls.

- (a). Accounting
- (b). Internal Control
- (c). Revenue Administration
- (d). Contract Administration
- (e). Assets Management