

Ipalogama 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 21 March 2011 and 01 April 2010 respectively.

1.2 Opinion

So far as appears from any examination and to the best of information and according to the explanations given to me I am of opinion that the Ipalogama Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and excepts on the financial statements of the matters referred to paragraph 1.3 of this report the financial statements have been prepared in accordance with Generally Accepted Accounting principles give a true and fair view of the state of affairs of the Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation for the year then ended.

1.3 Comments an Financial Statements

1.3.1 Accounting Deficiencies

A summary of 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 -----
		Rs.000	Rs.000	Rs.000
(a) Under Statements in the Financial Statements	01	-	-	236
(b) Omissions from Financial Statements	05	-	-	138
- do -	01	-	04	-
(C) Inappropriate disclosures in the Financial Statements	01	-	-	04
- do -	01	-	95	-
- do -	01	200	-	-

1.3.2 Un-reconciled Accounts

According to the control accounts relating to 2 items of accounts the balance amounted to Rs.692,781 whereas such balance according to the subsidiary book/records amounted to Rs.719,648.

1.3.3 Non-compliance

In terms Financial Regulations of the Republic of Sri Lanka 237, a certificate on the face of the payment voucher should be given by the officer in charge of stores stating that relevant goods have been received qualitatively to the stores as per agreement and they have been entered in the stock books in making payments for stores supplies. Nevertheless much requirements had not been fulfilled in purchasing goods value at Rs. 780,030 during the year under review.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the income over recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs.1,574,294 as compared with the income over recurrent expenditure for the preceding year amounting as to Rs.2,606,191.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Particulars of the estimated revenue, actual revenue and the arrears of revenue relating to the year under review and the preceding year 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
Rates & Taxes	469	375	522	88	56	24
Lease Rent	555	424	133	407	333	126
License Fees	360	525	-	410	410	-
Other Income	3,400	1,232	964	3,700	1,075	1,820

2.2.2 Court Fines

Fines amounting to Rs. 522,526 recovered by 2 Magistrate’s Courts recovered under various Ordinances and remitted to the Chief Secretary as at 31 December 2010 were due to the Sabha.

2.2.3 Stamp Duty

Stamp fees of Rs.845,570 were receivable as at 31 December 2010 from the Register General.

2.2.4 Weaknesses in the Collection of Revenue

Rates had been imposed since 15 January 2010 for the Ranajayapura Housing Scheme area in terms of Pradeshiya Sabha Act No. 15 of 1987. According to the Gazette Notification published on 15 January 2010 taxes on notice board income, vehicle and animal taxes and capital grand rent taxes had been imposed. Any arrangement what so ever had not been made to recover those taxes even up to the date of audit on 25 March 2011.

2.2.5 Trade Stall Rent

A financial loss of Rs. 325,700 had incurred by the Sabha due to recovery of trade stall rent on prior year basis for the year 2010 without considering the reports determined by the Department of Valuation.

2.3 Expenditure Structure

The budgeted expenditure actual expenditure of the year under review and the preceding year along with the relevant variances are given below.

Item of Expenditure	2010			2009		
	Estimated	Actual	Variance	Estimated	Actual	Variance
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Personnel Emoluments	9,086	8,774	312	7,939	7,538	401
Others	4,005	3,777	228	3,606	3,476	130
Sub Total	13,091	12,551	540	11,545	11,014	531
Capital Expenditure	11,732	36,206	(24,474)	7,869	9,387	(1,518)
Grand Total	24,823	48,757	(23,934)	19,414	20,401	(987)

2.4 Human Resources Management

2.4.1 Approved and Actual Cadre

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

Grades of employees -----	Approved -----	Actual -----
Staff	01	01
Secondary	05	11
Primary	15	12
Others (Casual, temporary)	-	03
Total	21 ===	27 =====

- (b) Nine employees had been recruited and deployed in excess of the limit approved by the Department of Management Services and a sum of Rs.1,213,030 had been paid as salaries and allowances from the Sabha fund during the year under review.

2.5 Assets Management

2.5.1 Idle Physical Resources

- (a) Even though Equipment valued at Rs.814,000 had been given by the Chief Ministry of the North Central Province to commence a rice flour related bakery product projects in the year 2007, such equipment had become idle as the relevant project had not been commenced.
- (b) The Powertract Tractor valued at Rs. 895,000 given by the Ministry of Disaster Management to the Pradeshiya Sabha in the year 2008 for the disposal of waste had been idle since September 2010 without being used.

2.5.2 Outstanding Staff Loans

The total of outstanding loan advance balances as at 31December 2010 amounted to Rs.792,650.

2.6 Uneconomic Transactions

The following matters were observed.

- (a) A loan of Rs. 3 million had been obtained from the Local loan and Development Fund in 2009 for the construction of Ranajayapura Ranaviru Village Weekly fair and sum of Rs.

2,954.068 had been spent thereon. Even though the construction work had been completed buildings had been closed without being utilized for any purpose.

- (b) According to the project report presented to the Local loan and Development Fund for obtain the loan it was expected to construct 40 trade stalls in the fair premises and to earn a monthly rental of Rs. 40,000 by renting at those trade stall and to settle loan installments and interest thereon from that income. Nevertheless, the relevant loan installment and interests had to be paid from Sabha fund as the project had not been implemented as scheduled.

2.7 Expenditure not Covered by Adequate Authority

Even though the approval of the Minister in charge of the subject should be obtained for grants exceeding Rs.1,000 per year, approval of the Minister had not been obtained for grants of Rs.69,050 paid in the year under review in terms of Section 132 of the Pradeshiya Sabha Act No. 15 of 1987.

2.8 Irregular Transactions

In terms of paragraph 5.4.4 of the Government Procurement Guidelines, the mobilization advance can be paid up to the maximum value of 20 percent of the contract value in awarding contracts. Nevertheless an over payment of Rs. 300,000 had been made in excess of such limit.

2.9 Performance

In terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987, a corporate plan in cooperating the activities to be performed in the future years relating to the 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.

2.10 Contract Administration

Constructions

Irrespective of the failure of the quality control reports furnished by the Provincial Engineer on the following works, a sum of Rs. 3,686,318 had been paid by the Sabha during the year under review.

Name of work	Estimated amount	Amount paid	Observation as per quality control report
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	Rs.	Rs.	
(a) Construction of the toilet at Ranajayapura Ranaviru Village	1,544,026	1,460,666	Pressure of concrete at a weak level
(b) Construction of a weekly fair building at Ranajayapura Ranaviru Village	1,972,845	1,934,825	(i) Concrete Slab on the floor at a weak level (ii) Insufficient thickness of concrete mixture
(c) Covered the road from Senapura Kohombagas Junction with concrete	340,000	290,827	Pressure of concrete at a weak level
		<u>3,686,318</u>	

2.11 Internal Audit

An adequate internal audit had not been carried out in the Sabha.

03. Systems and Controls

Special attention is drawn in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (c) Contract Administration
- (d) Assets Management