

Kahatagasdigiliya Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statement

Financial Statements of the year under review and the preceding year had been presented to audit on 31 May 2011 and 01 April 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 Kahatagasdigiliya Pradeshiya Sabha for the year ended 31 December 2010 presented to audit.

1.3 Comments on Financial statements

1.3.1 Accounting Deficiencies

A summary of accounting deficiencies existed in the financial statement and the effects on 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. Over statements in the Financial Statements	02	299	-	-	-
-do-	01	-	63	-	-
b. Under statements in the Financial Statements	02	-	-	648	-
-do-	01	-	63	-	-
-do-	01	-	-	-	403
c. Omissions from Financial Statements	04	-	-	604	-
-do-	02	-	-	-	5,793
d. In appropriate disclosures in the Financial Statements	01	-	-	783	-

1.3.2 Un-reconciled Accounts

Balances according to the control accounts relating to the 3 items of accounts totalled Rs.1,395,877 whereas the total of such balances according to the subsidiary books/records amounted to Rs.1,420,507.

1.3.3 Accounts Payable

The value of accounts payable balances remained for more than 01 year as at 31 December 2010 amounted to Rs.208,219.

1.3.4 Lack of Evidence for Audit

Two items of accounts totalling Rs.1,376,223 could not be satisfactorily vouched/verified in audit due to non-rendition of required information for audit.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the revenue over recurrent expenditure for the year ended 31 December 2010 amounted to Rs.1,601,483 as compared with the revenue over recurrent expenditure for the preceding year amounting to Rs.1,687,102.

2.2 Financial Control

Action in terms of Financial Regulation 396 and its Sub – sections of the Democratic Socialist republic of Sri Lanka had not been taken in respect of 2 cheques at Rs.25,166 issued but not presented to bank for payment and elapsed the validity period as per bank reconciliation statements for the month of December 2010.

2.3 Revenue Administration

2.3.1 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 are given below.

Item of Revenue	2010			2009		
	Estimate	actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a). Rates and Taxes	609	64	911	118	691	426
(b). Lease Rent	2,596	2,536	191	2,116	2,012	213
(c). License Fees	606	754	66	587	692	73
(d). Other Income	2,462	1,344	2,110	9,357	7,676	1,543

2.3.2 Court Fines

Fines amounting to Rs.1,057,131 recovered by a Magistrate's Court under various Ordinances as at 31 December 2010 and remitted to the Chief Secretary were due to the Sabha.

2.3.3 Stamp Duties

Stamp fees of Rs.441,300 were receivable from the Registrar General as at 31 December 2010.

2.3.4 Rates

As action had not been taken to recover the rates in terms of provisions in Pradeshiya Sabha Act No.15 of 1987 an arrears of Rs.910,813 had arisen of them a sum of Rs.318,700 of 35 per cent for more than 03 years.

2.4 Expenditure Structure

The budgeted and 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 ----- Rs. '000	Actual ----- Rs. '000	Variance ----- Rs. '000	Budgeted ----- Rs. '000	Actual ----- Rs. '000	Variance ----- Rs. '000
Recurrent Expenditure -----						
(i). Personnel Emoluments	8,500	8,426	74	7,688	7,221	467
(ii). Others	2,300	2,278	22	3,717	2,163	1,554
(iii). Sub Total	10,800	10,704	96	11,405	9,384	2,021
(iv). Capital Expenditures	14,200	14,198	02	13,225	12,733	492
Grand Total	25,000	24,902	98	24,630	22,117	2,513

2.5 Human Resource Management -----

2.5.1 Approved and Actual Cadre -----

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

Cadre of Employees -----	Approved -----	Actual -----
(i). Staffs	01	01
(ii). Secondary	08	07
(iii). Primary	19	12
(iv). Others (casual /temporary)	-	13
Total	28	33

- (b.) Thirteen employees for posts had been recruited during the year under review by the Sabha in excess of the approved cadre and a sum of Rs. 1,082,209 had been paid as salaries

2.6 Assets Management -----

2.6.1 Idle Assets -----

Equipment valued at Rs.686,500 had been given by the Chief Ministry of the North Central Province in the year 2008 to commence a rice flour related bakery product project. A sum of Rs.297,719 had been paid for fixing tools received for this project scheduled to be set up within the premises of the Koonwewa library building in the year

2008. In addition an employee had been deployed for providing security to the building by paying salaries from the Sabha Fund. However as any manufacturing process had not been commenced even by 31 December 2010, the date of audit, the entire amount spent on this project had become idle.

2.6.2 Outstanding Staff Loans

The total staff loan advances outstanding as at 31 December 2010 amounted to Rs.1,286,574 out of which the balances remained outstanding for more than 01 year totalled Rs. 20,238.

2.6.3 Unverified Assets

The value of assets computed on book values and not based on board of survey reports as at 31 December 2010 amounted to Rs. 24,007,619.

2.7 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.

2.8 Contract Administration

The following matters were observed.

Delays in the Implementation of Projects

- (a) Accounting to the register of works for the year 2010 seven works the estimated value of which was Rs. 3,280,749 under Jathika Saviya, Gamanagama project had not been completed on the specific dates in the year 2010 and 2 works valued at Rs.593,675 had not been implemented.
- (b) In terms of Section 56 of the ICTAD Series No. SCA/1 payments in respect of contract should be made only on the specific measurement obtained and not on the basis of machine hours. Nevertheless, a sum of Rs.8,050 had been paid on the basis of machine hours for 2.3 hours for laying gravels on the weekly fair premises during the year under review.

2.9 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 controls.

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