

Kinniya Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 18 July 2011 and the financial statements for the preceding year had been presented for audit on 15 October 2010.

1.2 Opinion

So far as appears from my examination and to the best of my information and according to the explanations given to me, I am of opinion that the Kinniya Pradeshiya Sabha had maintained proper 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 the Generally Accepted Accounting Principles give a true and fair view of the state of affairs of the Kinniya Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- a) Depreciation on fixed assets amounting to Rs.6,540,350 had not been provided for the year under review.
- b) Arrears of Trade Licences amounting to Rs.19,700 had not been shown in the financial statements.

1.3.2 Accounts Payable

Balances of accounts payable for over a period of 1 year as at 31 December 2010 amounted to Rs 2,325,758.

1.3.3 Bank Accounts

The following information was revealed at the analysis of adjustments shown in the Bank Reconciliation Statements.

<u>Particulars</u>	<u>Age analyses</u>			<u>Total</u>
	<u>No .of</u> <u>Instances</u>	<u>6 Months and</u> <u>less than 12</u> <u>Months Amount</u> <u>Rs</u>	<u>1 – 3</u> <u>Years</u> <u>Amount</u> <u>Rs</u>	
Cheques issued, but not presented for payments	170	475,289	402,951	878,240

1.3.4 Lack of Evidence for Audit

(a) Un – replied Audit Queries

Replies for 17 audit queries had not been furnished as at 31 December 2010 while the quantifiable value of transactions referred to in those audit queries amounted to Rs. 1,459,463

(b) Non – rendition of Information for Audit

Transactions valued at Rs. 1,193,588 could not be satisfactorily vouched in audit due to non-availability of information required for audit.

1.3.5 Non - Compliance

The following non – compliances with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non - Compliance

(a) Stamp Duty Act No. 42 of 1979

Stamp duty recoverable on account of deeds executed within the Pradeshiya Sabha limits had not been ascertained and brought to the accounts.

(b) Pradeshiya Sabha Act 15 of 1987

i) Section No. 134

Action had not been taken to collect the assessment tax.

ii) Section No. 152

The professional tax had not been recovered from the persons concerned

- iii) Section No. 477(4) The animal tax had not been recovered from the persons concerned.
- iv) Section No.66 (1) (3) (4) Penalties on stray cattles had not been imposed by the Sabha
- (c) **Pradeshiya Sabha (Financial and Administrative) Rules of 1989**
- i) Part II Section 16 (1) The Pradeshiya Sabha had not maintained a register of movable and immovable properties.
- ii) Chapter I Section 5 (xi) Insurance coverage had not been obtained in relation to cash, stores, etc
- iii) Chapter I Section 5 (xii) Adequate security had not been obtained from officers who were entrusted with custody of cash stores, etc
- iv) Chapter VII works 3 (178) a Eighteen works amounting to Rs. 6,734,345 had been executed without public competition.
- v) Chapter VII Accounting 16 (165) Action had not been taken to prepare the main ledger.
- vi) Chapter XII No. 214 The following items of stock had not been verified by a Board of Survey at the end of the year
- i. Stamps
 - ii. Stationery
 - iii. Building application forms
 - iv. Old newspapers and magazines
- vii) Chapter XII Section 217 A register of Land and Buildings had not been maintained.
- d) Financial Regulation No. 387 Overdraft in two Bank accounts of the Sabha aggregated Rs.1,442,447 during the year under review.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs. 4,039,439 as compared

with the excess of revenue over recurrent expenditure amounting to Rs. 983,380 of the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information with regard to the estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year, as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>
			<u>Arrears as at</u>			<u>Arrears as at</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>31 December</u>	<u>Rs.</u>	<u>Rs.</u>	<u>31 December</u>
	<u>'000'</u>	<u>'000'</u>	<u>'000'</u>	<u>'000'</u>	<u>'000'</u>	<u>'000'</u>
i) Rates and taxes	7	6	152	03	43	152
ii) Lease rent	1,895	1,662	1,811	1,807	1,764	1,579
iii) Licence fees	450	4,122	--	328	157	171
iv) Other	1,847	5,616	--	7,062	5,834	-

2.2.2 Court Fines

Action had not been taken to recover court fines amounting to Rs. 1,812,620 collected and remitted to the Chief Secretary / Provincial Commissioner of Revenue up to 31 December 2010 by the Trincomalee Magistrate's Court under various Ordinances. Court fines receivable by the Sabha had not been computed and accounted for.

2.2.3 Stamp Fees

Stamp fees recoverable from the Registrar General had not been computed and accounted for during the year under review.

2.3 Expenditure Structure

The budgeted and actual expenditure and the variances of the Sabha for the year under review and the preceding year are given below.

<u>Item of Expenditure</u>	<u>Budgeted</u>	<u>2010</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2009</u>	<u>Variance</u>
	<u>Rs.</u>	<u>Actual</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Actual</u>	<u>Rs.</u>
	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>	<u>000</u>
<u>Recurrent Expenditure</u>						
Personal Emoluments	6,912	5,826	1,086	6,119	4,913	1,206
Other	7,526	2,092	5,434	9,747	1,461	8,286
Sub Total	14,438	7,918	6,520	15,866	6,374	9,492
Capital Expenditure	4,308	2,965	1,343	9,100	2,182	6,918
Grand Total	<u>18,746</u>	<u>10,883</u>	<u>7,863</u>	<u>24,966</u>	<u>8,556</u>	<u>16,410</u>

2.4 Human Resources Management

2.4.1 Approved and Actual Cadre

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

<u>Category of Post</u>	<u>Approved</u>	<u>Actual</u>	<u>Shortage/</u> <u>Excess</u>
Staff Grade	01	-	01
Secondary Grade	05	06	(01)
Primary Grade	12	11	01
Other (Casual / Temporary)	18	05	13
Total	<u>36</u>	<u>22</u>	<u>14</u>

2.5 Assets Management

2.5.1 Idle and Underutilized Physical Resources

Particulars of physical resources remaining idle and underutilized as revealed at audit test checks are given below.

<u>Item</u>	<u>No. of Items</u>	<u>Period</u>	<u>Idle or Underutilized</u>
(a) Printer – LQ 2135	01	Over one year	Underutilized
(b) Printer – LQ 5235	01	Over one year	Underutilized
(c) Laptop HP Computer	01	Over one year	Idle
(d) Tailer	01	Over one year	Underutilized
(e) Single Mahendra Cab	01	06 Months	Underutilized
(f) Multimedia Projector	01	06 Months	Idle
(g) Digital Camera	01	Over one year	Underutilized

2.5.2 Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs. 5,839,632 while the balances of accounts receivable for a period of over 01 year amounted to Rs. 4,941,837

2.5.3 Staff Loans Recoverable

Balances of staff loans recoverable as at 31 December 2010 totalled Rs. 951,864 while the balances outstanding for over a period of 01 year amounted to Rs. 137,847

2.5.4 Non- moving Current Assets

Non – moving current assets remaining for over a period of 01 year as at 31 December 2010 were valued at Rs. 173,544

2.5.5 Assets not Verified

The value of assets computed on book balances as at 31 December 2010 and not supported by physical verifications / board of survey reports amounted to Rs. 6,540,350.

2.6 Vehicle Utilization

- (a) Running Charts of vehicles had not been furnished to audit.
- (b) Repair charges of vehicles had not been properly entered in the log books.

2.7 Internal Audit

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

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary Control
- (d) Control over Fixed Assets