

Mihinthalepradeshiasabha
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 09 August 2011 and 29 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 MihinthalePradeshiyaSabha for the year ended 31 December 2010, presented to audit.

1.3 Comments an Financial Statements

1.3.1 Accounting Policies

Accounting Policies adopted by the Sabha in the preparation of financial statements had not been disclosed.

1.3.2 Accounting Deficiencies

A Summary of accounting deficiencies existed in the financial statements and effects on financial statements there from is given below.

Nature of Deficiency	No. of instances	Effects on Financial Statements			
		Income	Expenditure	Assets	Liabilities
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Omissions in the Financial Statements	06	-	-	861	-
- do-	01	-	-	-	599
- do -	01	-	599	-	-
(b) Under statements in the Financial Statements	01	207	-	-	-
- do -	11	-	149	-	-
- do-	11	-	-	-	149
(c) Inappropriate disclosers in the Financial Statements	01	60	-	-	-
-do-	01	-	24	-	-
-do-	04	-	-	4	-

1.3.3 Unreconciled Accounts

The balances of 06 items of accounts according to the financial statements totalled Rs.2,189,386 where as such balances according to the subsidiary books and records totalled Rs.28,600,780.

1.3.4 Unexplained Differences

In terms of the accounting system of the Pradeshiya Sabha, the total of fixed assets should equal to the revenue contributions to capital employed account. Nevertheless, the value of fixed assets as at 31 December 2010 amounted to Rs.4,691,459 while the balance of the revenue contributions to capital employed account amounted to Rs.7,616,283 this showing a difference of Rs.2,924,824 between those 2 accounts.

1.3.5 Accounts Payable

Even though the Local Government Employees Contributions payable to the Pensions Department as at 31 December 2010 amounting to Rs.558,512 had been brought to accounts under creditors, the particulars of officers whose contributions were payable and the period of service in the Pradeshiya Sabha had not been established.

1.3.6 Lack of Evidence for Audit

Transactions totaling Rs.203,461 could not be satisfactorily vouched in audit due to non-remission of required information for audit.

1.3.7 Non-compliance

Non-compliances with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules
Regulations etc.

Non-compliance

(a) Section 154 of the Inland
revenue Act No. 10 of 2006

A 5% withholding tax on specific payments exceeding Rs.50,000 per mensem or Rs.500,000 per annum should be recovered and remitted to the Commissioner General of Inland Revenue. Nevertheless withholding tax on payments of Rs. 1,582,700 exceeding such limits had not been recovered.

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

- (i) Financial Regulation 237 (a) and (b) In making payments for stores supplies the stores officer should give a certificate on the voucher stating that the goods have been received in good condition as per agreement and goods have been entered in the stock books. Nevertheless in making payments for goods valued at Rs.91,668 in 6 instances during the year under review action had not been taken as per this Financial Regulation.
- (ii) Financial Regulation 571 Non- refunded deposits of Rs.121,470 remained for more than 02 years had not been disposed.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.999,695 as compared with the revenue over recurrent expenditure for the preceding year amounting to Rs.1,585,230.

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 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	-	-	-	-	-	-
Lease Rent	3,304	929	1,746	886	890	31
License Fees	475	527	-	458	455	-
Other Income	1,352	7	1,936	400	8	3,175

2.2.2 Court Fines

Fines amounting to Rs.782,304 recovered by a Magistrate's Court under various Ordinances and send to the Provincial Commissioner of Revenue as at 31 December 2010 were due to the Sabha.

2.2.3 Stamp fees

Stamp fees of Rs.395,413 were receivable from the Registrar General as at 31 December 2010.

2.2.4 Rates

Even though the Grama Niladhari Division of Mihinthale located within the Divisional Secretariat Division Mihinthale had been named as a developed area by the gazette notification No. 726/30 dated 05 August 1992, the Pradeshiya Sabha had not taken action to recover rates on properties located in this area for which rates could be recovered and as such the Sabha had deprived of revenue receivable.

2.3 Expenditure Structure

Budgeted and actual expenditure of the sabha for the year under review and the preceding year along with the relevant variances are given below.

Item of Expenditure	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
Recurrent Expenditure	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal Emoluments	6,760	6,752	8	6,276	6,353	(77)
Others	4,300	4,233	67	4,508	3,803	705
Sub Total	11,060	10,985	75	10,784	10,156	628
Capital Expenditure	20,000	23,048	(3,084)	7,500	14,418	6,918
Grand Total	31,060	34,033	(2,973)	18,284	24,574	(6,290)

2.4 Human Resource Management

2.4.1 Approved Cadre and Actual Cadre

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

Grades of Employees -----	Approved -----	Actual -----
Staff	01	01
Secondary	10	08
Primary	13	13
Others (Casual, temporary)	-	06
	-----	-----
Total	24	28
	====	====

2.5 Assets Management

2.5.1 Idle Physical Resources

RK – 80 hand tractor and trailer valued at Rs.265,900 shown under motor vehicles and carts as at the last date of the year under review could be repaired and utilized but it had not done so and become Idle.

2.5.2 Accounts Receivable

The value of account receivable balances as at 31 December 2010 amounted to Rs.975,016 out of which the balances remained for more than 01 year amounted to Rs.975,016.

2.5.3 Outstanding Staff Loans

The total outstanding staff loan and advance balances as at 31December 2010 amounted to Rs.1,220,158.

2.5.4 Unverified Assets

The value of assets computed on book values and not confirmed by board of survey reports as at 31 December 2010 amounted to Rs.8,499,536.

2.6 Transactions not Supported by Adequate Authority

In terms of circular No. NCP/LG/18/4 dated 24 March 2003 of the Commissioner of Local Government, payments should be made with the approval of the Provincial Council and the Commissioner of Local Government in participating foreign works shops. Nevertheless any approval what so ever had not been

obtained for the payment of Rs.70,000 made for the Chairman's Thailand tour in the year under review even up to the date of audit on 28 July 2010.

2.7 Operating Inefficiencies

The following observations are made.

- (a) Even though the arrears of trade stall rent remained as at the last date of the year under review amounting to Rs.30,750 had been paid by the shop owners to the court action had not been taken to recover this money to the Sabha even by 31 December 2010.
- (b) In calling for quotations for the purchase of field stores items valued at Rs.221,981 for 2010 Poson Festival only the name of the required good had been stated without stating the specification and as such the competitive quotations could not be obtained.
- (c) In terms of paragraph 9 of the agreement signed with lessees any construction should not be done without the approval of the Sabha. Nevertheless, unauthorized constructions had been done in 22 trade stalls rented out by the Sabha for business activities but action against the lessees had not been taken in terms of agreements. Even though sub-items of trade stalls or part thereof is not all allowed in terms of paragraph 22 of the agreement, instances of subletting of stalls were observed.

2.8 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 health, roads and common utility services of the people living in the area of authority of the Pradeshiya 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

A sum of Rs.3,545,598 had been spent during the year and the preceding year for the economic development centre proposed to be constructed in front of the Mihinthale Bus stand. As the construction works had been stopped after construction of lowers and laying the concrete slab, the relevant economic centre could not be operated.

03. Systems and Controls

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

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