

**Madyama Nuwaragam Palatha Pradeshiya Sabha  
Anuradhapura District**

1. Financial Statement

1.1 Presentation of Financial Statements

Financial statements of the year under review and the preceding year had been presented for audit on 09 May 2011 and 20 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 Madyama Nuwaragam Palatha 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 the accounting deficiencies shown in the financial statements and effects on financial statements and is given below.

Nature of Deficiency	No of Items	Effect on Financial Statements			
		Revenue	Expenditure	Assets	Liabilities
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Overstatements in the financial statements	01	04	-	-	-
(b) Understatements in the financial statements	01	-	61	-	-
-do-	01	-	-	-	61
-do-	01	665	-	-	-
(c) Omissions from financial statements	01	-	-	-	77
-do-	03	-	-	936	-
-do-	01	Not completed	-	-	-
(d) Inappropriate discloses in the financial statements	01	-	-	145	-
-do-	01	-	-	-	75

1.3.2 Un-reconciled Accounts

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The total of 4 items of accounts as per financial statements amounted to Rs.27,294,647 whereas according to the subsidiary books /records the total of such account balances amounted to Rs.20,653,447.

1.3.3 Accounts Payable

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The value of accounts balances payable remained for more than one year as at 31December 2010 amounted to Rs.102,472.

1.3.4 Lack of Evidence for Audit

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Seven items of accounts totalling Rs.7,185,982 could not be satisfactorily vouched/verified in audit due to non- rendition of required information for audit.

1.3.5 Non- compliances

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Non – compliances with the following laws, rules and regulations were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non- compliance
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(a). Inland Revenue Act No 10 of 2006 Section 153	Even though a 5 per cent Withholding Tax should be recovered from a payment in respect of a construction work or a supply of goods and services in excess of Rs.50,000 per mensum. Nevertheless tax amounting to Rs.113,843 action had not been taken to recovered from the payment of Rs.2,276,877 made in 12 instances.
(b) . Pradeshiya sabha Rules of 1988 (Financial and Administration) Rule 168(i)	Although the financial statements of the previous year should be presented to the Auditor General before 31 of March of the next year, the Sabha had presented the financial statements for the year 2010 to audit only on 09 May 2011.
(c). Financial Regulations of the Democratic Socialist republic of Sri Lanka F.R. 396(c)	Action had not been taken as per regulations in respect of 2 cheques valued at Rs.53,794 issued but not presented for payment.

02. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the income over recurrent expenditure for the year ended 31 December 2010 amounted to Rs.3,443,641 as against the recurrent expenditure over income amounting to Rs.700,938 in the previous year.

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 at 31 December	Estimated	Actual	Accumulated Arrears at 31 December
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
(i). Rates and Taxes	-	-	-	-	-	-
(ii). Lease Rent	1,313	972	352	790	-	791
(iii). License Fees	2,108	1,853	-	2,556	730	1,826
(iv). Other Income	7,982	933	5,704	8,410	2,996	3,939

2.2.2 Court Fines

Fines amounting to Rs.3,960,174 recovered by a Magistrates Court under various Ordinances as at 31 December 2010 and remitted to the Chief Secretary were receivable to the Sabha.

2.2.3 Stamp Duty

Stamp fees of Rs.196,756 were receivable from the Registrar General as at 31 December 2010.

2.2.4 Rates

Steps had not been taken to recover the rates from the immovable properties located within the area of authority after being identified and declared the developed areas in terms of Section 134(i) of the Pradeshiya Sabha Act No 15 of 1987.

## 2.2.5 Trade Stall Rent

- (i). In terms of Circular No 1980/46 dated 31 December 1980 of the Commissioner of Local Government monthly rental of trade stalls belonging to the Pradeshiya Sabha should be determined by considering the Chief Valuers assessment or the valuer of the local government service and the rent should be revised at least once in 5 years nevertheless the monthly rental of 18 trade stalls belonging to the Sabha had been recovered on the basis of rental determined 10 years ago.
- (ii). The arrears of rent due from 9 trade stalls at Pandulagama belonging to the Sabha as at 31 December 2010 amounted to Rs.336,636 and action had not been taken to recover same by the Sabha.

## 2.3 Expenditure Structure

The budgeted and actual expenditure of the year under review and the preceding year along with 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
Re current Expenditure						
Personnel Emoluments	9,977	8,566	1,411	9,637	6,982	2,655
Others	3,757	3,785	(28)	4,485	4,970	(485)
Sub Total	13,734	12,351	1,383	14,122	11,952	2,170
Capital Expenditures	38,200	47,357	(9,157)	56,650	30,335	26,315
Grand Total	51,934	59,708	(7,774)	70,772	42,287	28,485

## 2.4 Human Resource Management

### 2.4.1 Approved and Actual Cadre

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

Grade of Employees	Approved	Actual
(i). Staff	01	01
(ii). Secondary	04	05
(iii). Primary	15	17
(iv). Others (casual /temporary)	-	06
Total	<u>20</u>	<u>29</u>

- (b). Nine officers had been recruited in excess of the limits approved cadre by the Department of Management Services and a sum of Rs.1,218,384 had been paid as salaries and allowances during the year under review from the Sabha Fund.

2.5 Assets Management  
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2.5.1 Idle Physical Resources  
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Plant and equipment value at Rs.814,000 had been given to the Sabha in the year 2008 by the Chief Ministry of the North Central Province to commence rice flour related bakery product project. As that project had not been commenced even by 31December 2010 such plant and equipment had become idle.

2.5.2 Accounts Receivable  
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The value of account receivable balances as at 31 December 2010 Amounted to Rs.10,752,184 out of which account balances remained for over 01 year amounted to Rs.6,931,863.

2.5.3 Outstanding Staff Loans  
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Outstanding loan and advance balances as at 31 December 2010 totalled Rs.488,461 and the balances remained outstanding for more than one year totalled to Rs.142,060.

2.5.4 Immovable Current Assets  
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The value of assets immovable remained over one year as at 31 December 2010 amounted to Rs.254,166.

2.5.5 Unverified Assets  
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The value of assets computed on book values as at 31 December 2010 and not confirmed by board of survey reports amounted to Rs.5,504,272.

2.6 Operating Inefficiencies  
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A sum of Rs.10,277 collected by 2 Revenue Overseers in the field in the year 2006 had not been deposited in the bank even by 31 December 2010. Action had not been taken to identify the officers reconciled for this and to recover the money.

2.7 Performance  
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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 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.

2.8 Contract Administration

2.8.1 Constructions

The following observations are made.

- (a). A sum of Rs.1,915,463 had been paid to a construction society on 07 December 2009 for the construction of the gate fence and the garage of the Sabha under the provincial development program for the year 2009. The estimated amount to put up the side wall of it was Rs.99,220. The field inspection carried out on 10 March 2011 observed 5 and 9 large scale cracks at the left side and right side of the walls respectively. As such it was observed that the amount of Rs.99,220 spent for the whole wall had become fruitless.
- (b). The following work had been unsatisfactory according to the quality control reports issued by the officers of the Provincial Engineering Department after being inspected. However, payments in respect of following work items had been made without being rectified.

Work Description	Estimated Amount	Value of Work Item Stated as Unsatisfactory	Observations According to the Quality Control Report
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	Rs.	Rs.	
(i). Concreting Nawodagama by Road	991,764	54,988	(i). Thickness of the road unsatisfactory
(ii). Improvement to the Kokkichchiya – Diganagama Road by using gravels	514,941	21,133	(i). Compacting unsatisfactory (ii). thickness of gravels unsatisfactory
(iii). Concreting by road at Mahavilachchiya a division with concrete	994,379	18,400	Thickness of the road unsatisfactory
(iv). Taring Gambirigaswewa Kokpiliyawa Road	621,822	-	(i). Compacting unsatisfactory (ii). Thickness of gravels last 100 meters unsatisfactory

2.9 Internal Audit

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

03. Systems and Controls

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

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