

Negenahira Nuwaragampalatha Pradeshiya Sabha
Anuradhapura District

1. Financial Statement

1.1 Presentation of Financial Statements

Financial statements for the year under review and the preceding year had been presented to audit on 02 June 2011 and 07 June 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 Negenahira Nuwaragampalatha 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 shown in the financial statements and the effects on financial statements there from is given below.

Nature of deficiency	No of items	Effects an Financial Statements			
		Revenue	Expenditure	Liabilities	Assets
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Over statements in the financial statements	01	1,131	-	-	-
(b) Under statements in the financial statements	01	62	-	-	-
-do-	01	-	148	-	-
-do-	01	-	-	148	-
(c) Omissions from financial statements	05	-	-	-	2,999
(d) Inappropriate disclosures in the financial statements	14	-	-	-	5,209

1.3.2 Un reconciled Accounts

The total balances according to the control accounts relating to 5 items of accounts amounted to Rs.19,965,664 whereas the total of such account balances according to the subsidiary books /records amounted to Rs.61,876,255.

1.3.3 Un-explained Differences

The following observations are made

- (a). According to the accounting system of the Pradeshiya Sabhas the total value of fixed assets except land and buildings should be equal to the balance of the contributions from revenue to capital employed account nevertheless, the value of fixed assets as at 31 December 2010 amounted to Rs.6,028,071 whereas the balance of the contributions from revenue to capital employed account amounted to Rs.13,023,206 this showing a difference of Rs.6,995,135.
- (b). According to the summary cash book, as at 31 December 2010 the balance of the general account No.1471897 and the balance of works account No.1471980 amounted to Rs.16,746 and Rs.386,757 respectively. However such balances disclosed in the balance sheet amounted to Rs.36,558 and Rs.405,520 respectively.

1.3.4 Accounts Payable

The following observations are made.

- (a). The value of accounts payable balances elapsed for more than 3 years as at 31 December 2010 amounted Rs.2,505,934.
- (b). Even though the contributions of the Local Government Employees payable to the Department of Pensions as at 31 December of the year under review amounting to Rs.639,537 had been accounted under creditors. The particulars of officers and the period of service in the Sabha of those employees were not established.

1.3.5 Lack of Evidence for Audit

Thirteen items of accounts totalling Rs.24,953,172 could not be satisfactory vouched/verified in audit due to non rendition of required information for audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, recurrent expenditure over income for the year ended 31December 2010 amounted to Rs.883,004 as against the income over recurrent expenditure for the preceding year amounting to Rs.4,746,506.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Particulars of estimated, actual revenue and arrears of revenue relating to the year under review and the preceding year of the Sabha presented by the Chairman are given below.

Item of revenue -----	2010 -----			2009 -----		
	Estimated ----- Rs. '000	Actual ----- Rs. '000	Accumulated arrears as at 31 December ----- Rs. '000	Estimated ----- Rs. '000	Actual ----- Rs. '000	Accumulated arrears as at 31 December ----- Rs. '000
(i). Rates and Taxes	425	425	-	404	404	-
(ii). Lease Rent	430	491	115	448	319	129
(iii). License Fees	170	170	07	104	97	07
(iv). Other Income	12,600	12,942	15,698	3,580	2,724	18,682

2.2.2 Court Fines

Fines amounting to Rs.3,052,968 recovered by a Magistrate's Court 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.624,820 were receivable form the Registrar General as at 31 December 2010.

2.2.4 Rates

In terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987 action had not been taken to declare as developed areas of 6 places identified as developed areas within the area of authority of the Pradeshiya Sabha to be able to impose and recover rates .

2.3 Expenditure Structure

Particulars of the budgeted expenditure and the actual expenditure of the Sabha for the year under review and the preceding year 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
Recurrent expenditure						
Personnel Emoluments	7,077	8,299	(1,222)	7,129	1,857	5,272
Others	10,099	6,612	3,487	6,251	6,279	(28)
Sub Total	17,176	14,911	2,265	13,380	8,136	5,244
Capital Expenditure	25,525	6,813	18,712	26,900	31,073	4,173
Grand Total	42,701	21,724	20,977	40,280	39,209	1,071

2.4 Human Resource 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.

	Category of employees	Approved	Actual
(i).	Staff	01	01
(ii).	Secondary	02	05
(iii).	Primary	12	12
(iv).	Others (casual /temporary)	-	09
	Total	15	27

Salaries and allowances of Rs.1,426,596 had been paid to 12 employees during the year under review who had been recruited in excess of the limit approved by the Department of Management Services.

2.5 Assets Management

2.5.1 Accounts Receivable

The value of accounts payable balances as at 31 December 2010 Amounted to Rs.20,768,528 out of which the total account balances remained outstanding for more than 01 year amounted to Rs.5,949,013.

2.5.2 Outstanding Staff Loans

The outstanding staff loan and advance balances as at 31 December 2010 totalled Rs.1,113,713 out of which the total outstanding balances remained for more than 01 year amounted to Rs.83,418.

2.5.3 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.29,419,489.

2.6 Payments not Supported by Adequate Authority

A Part of the stamp fees to be collected by the Registrar General on exchange of land in the area of authority and 01 percent of it equivalent to Rs.27,500 had been paid to 2 officers as an allowance. The approval of the Minister in charge of the subject had not been obtained therefore.

2.7 Operating Inefficiencies

(a). Out of the provision received from the Commissioner of Local Government for the planting project operated by the Sabha during the year under review, a payment of Rs.535,390 had been made for 1447 plants. The physical examination carried out on 10 march 2011 in this connection observed the following matters.

- (i). The said 1447 plants were not available in the field and less than 150 plants were available in the total distance of 13Km.
- (ii). According to the estimates, digging pits, planting , covering with timber cubicles and 3 months maintenance should be done nevertheless action had not been taken according to such instructions.
- (iii). Even though the payments should have been made after being counted the plants after the maintenance period of 3 months, payments had been made immediately after the planting of plants.

- (iv). The Technical Officer's report to ensure that all plants had been planted was not made available.
- (b). The Pradeshiya Sabha had decided to recover Rs.85 per cube of gravel in respect of extracting gravel from Kerikkulama gravel quarry and revenue had been earned at that rate by the Sabha for the last 15 years. However the collection of this had been stopped since the year under review.
- (c). According to the board of survey reports as at 31 December 2009, there was a shortage of 137 library books but action had not been taken to recover the value of such books from the responsible persons being identified.
- (d). In terms of Rule 29 of the Pradeshiya Sabha Rules of 1988 (Financial and Administration) collection should be deposited in the bank daily. Nevertheless action had not been taken to recover a sum of Rs.30,818 which had been collected in the year 2009 and prior years but not banked, from the officers responsible.

2.8 Performance

In terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987, a corporate plan in comprising 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

According to the tests carried out by the Quality Control Unit of the Provincial Department of Engineering, it was reported that the work covering the canal 4 to Nagavihara road with concrete, the estimated value of which was Rs.287,070 had not been done in accordance with construction standards. Nevertheless a sum of Rs.198,786 had been paid to the contractor during the year under review without being rectified the defects.

2.10 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). Assets Management
- (d). Debtors and Creditors Control