

Kanthale Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review and for the year 2009 had not been presented for audit even up to 30 June 2011.

1.2 Comments on Transactions, Operations and Performance

1.2.1 Bank Reconciliations

According to the Financial Regulation No.396, Bank Reconciliations should be prepared at the end of each month. The Sabha had not prepared Bank Reconciliations from May 2010 up to the date of audit on 21 December 2010 in respect of the Account No. 0004940252

1.2.2 Suspense Accounts

Debit balances amounting to Rs. 10,411,445 as at 31 December 2010 were of a suspense nature.

1.2.3 Accounts Payable

Balances of accounts payable for over a period of 1 year as at 31 December 2010 amounted to Rs.3,816,916.

1.2.4 Irregular Payments

- i) A sum of Rs.511,868 paid to the Chairman by a cheque No. 090881 of the People's Bank had been encashed on 22 March 2010. This money had not been utilized for any work relating to the Sabha and it had not been recorded in the registers as well.
- ii) A fixed deposit of Rs.4 Million relating to Account No 090-5-01-300266-7 dated 08 September 2009 had been fraudulently encashed by the Secretary of the Pradeshiya Sabha. Of this, a sum of Rs.one million only had been recovered from the Secretary and the balance of Rs.3 Million had not been recovered.

- iii) Action had not been taken to recover payments made for fuel exceeding the capacity of the tank and this amounted to Rs.18,735. Details are given below.

<u>Vehicle No</u>	<u>Capacity of Full tank Litres</u>	<u>Date</u>	<u>No. of litres of fuel in the tank at the time of pumping</u>	<u>No. of litres of fuel pumped</u>	<u>Excess Fuel</u>	<u>Price of a litre of Fuel</u> <u>Rs</u>	<u>Total overpayments</u> <u>Rs</u>
LF/7212	165	2010.03.02	16.3	213	64.3	73.50	4,726
		2010.06.17	164.6	291	190.6	73.50	14,009
					<u>254.9</u>		<u>18,735</u>

- iv) A sum of Rs.161,287 had been paid to settle the bills amounting to Rs.140,250 for the cost of office equipment purchased during the year under review. In this regard, a sum of Rs.21,037 had been erroneously overpaid to the supplier.

1.2.5 Lack of Evidence for Audit

Un – replied Audit Queries

Replies for 03 audit queries had not been furnished as at 31 June 2010 while the quantifiable value of transactions referred to in those audit queries amounted to Rs.4,511,868.

1.2.6 Non – Compliance with Rules and Regulation

Twenty cheques valued at Rs.143,196 issued by the Sabha remained unrepresented for payment for over 01 year. Action had not been taken to settle this.

2. Financial and Operating Review

2.1 Revenue Administration

2.1.1 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>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
	<u>'000</u>	<u>'000</u>	<u>Arrears as at</u>	<u>'000</u>	<u>'000</u>	<u>Arrears as at</u>
			<u>31 December</u>			<u>31 December</u>
			<u>'000</u>			<u>'000</u>
(i) Rates and taxes	2,670	819	1,851	5,917	641	5,276
(ii) Lease rent	4,760	1,448	3,312	4,312	341	3,971
(iii) Licence fees	398	--	398	371	371	--
(iv) Other revenues	21,572	--	21,572	11,749	11,749	--

2.1.2 Court Fines

Action had not been taken to recover court fines amounting to Rs. 8,865,317 collected and remitted to Chief Secretary / Provincial Commissioner of Revenue up to 31 December 2010 by the Kanthale Magistrate's Court under various Ordinances. Court fines receivable by the Sabha had not been computed and accounted for.

2.1.3 Stamp Fees

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

2.2 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>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2009</u> <u>Actual</u>	<u>Variance</u>
	<u>Rs.</u> <u>000</u>	<u>Rs.</u> <u>000</u>	<u>Rs.</u> <u>000</u>	<u>Rs.</u> <u>000</u>	<u>Rs.</u> <u>000</u>	<u>Rs.</u> <u>000</u>
<u>Recurrent Expenditure</u>						
Personal Emoluments	18,471	13,170	5,301	15,160	2,611	12,549
Other	<u>10,113</u>	<u>6,837</u>	<u>3,276</u>	<u>8,446</u>	<u>4,470</u>	<u>3,976</u>
Sub Total	28,584	20,007	8,577	23,606	7,081	16,525
Capital Expenditure	850	1,585	(735)	12,900	2,426	10,474
Grand Total	<u>29,434</u>	<u>21,592</u>	<u>7,842</u>	<u>36,506</u>	<u>9,507</u>	<u>26,999</u>

2.3 Human Resources Management

2.3.1 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	03	02	01
Secondary Grade	25	17	08
Primary Grade	29	23	06
Total	<u>57</u>	<u>42</u>	<u>15</u>

2.4 Assets Management

2.4.1 Staff Loans Recoverable

Balances of staff loans recoverable as at 31 December 2010 totalled Rs.4,417,880 while the balances outstanding for over a period of 01 year amounted to Rs.4,072,441.

2.5 Vehicle Utilization

- i. Log books had not been maintained in respect of vehicles of the Sabha.
- ii. Action had not been taken to repair milometers of certain vehicles which were not in operation for over one year.
- iii. A H.M.I Tractor had been sold for Rs.25,000 without approval.

2.6 Uneconomic Transection

A vehicle belonging to the Pradeshiya Sabha broke down at Battaramulla and it was taken to the branch of the United Motors Company in Kurunegala for repairs. A sum of Rs.7,000 had been paid to the company to transport the vehicle to Kurunegala. It was observed in audit that the vehicle could have been repaired in Colombo without paying unnecessary transport charges.

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