

Kuliyapitiya Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kuliyapitiya Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

According to the Accounting Principles, an accounting policy had not been prepared to identify the lands received as donations in the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The value of the office equipment purchased in the year under review amounting to Rs.75,618 had been understated in the accounts.
- (b) The fixed assets purchased in the year under review amounting to Rs.835,008 had not been brought to account.
- (c) A fumigation machine valued at Rs.150,000 given as a donation to a public institution in the year 2014 had not been eliminated from fixed assets.
- (d) The provisions for audit fees had not been made in the financial statements for the year under review.

- (e) The value of 01 acre 03 roods and 34.58 perches received from the activities of development and selling of housing properties during the year under review had not been brought to account.

1.3.3 Unreconciled Accounts

The differences of Rs.2,285,913 were observed between the balances as per financial statements as at the end of the year under review and the balances of corresponding subsidiary registers relating to 05 items of accounts.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover a sum of Rs.74,853,575 remained for over a period of 01 year, out of the receivable accounts balances amounting to Rs.178,665,866 as at 31 December 2017.

(b) Accounts Payable

The value of the balances of payable accounts as at 31 December 2017 amounted to Rs.43,999,466 and action had not been taken to settle the balances out of that amounting to Rs.12,657,766 remained for over one year.

1.3.5 Lack of written Evidence for Audit

Two items of accounts totalling Rs.169,735 could not be satisfactorily verified in audit due to non-submission of required information.

1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non-compliance
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(a) Pradeshiya Sabha Act No.15 of 1987 154(1)	6,244,921	One per cent of estimated selling price had been recovered for 30 auctioned lands.
(b) Pradeshiya Sabha (Financial and Administration) Rules		

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|-----|------------------|-------------|---|
| i | Rule 207 | 10,626,541 | The purchase of stores materials had been made without a public competition in 66 instances during January to October 2017. |
| ii | Rule 194 and 212 | 5,798,350 | The inventory goods had not been recorded in inventory books and stores materials had not been recorded in stock books. |
| iii | Rule 218 | 204,072,234 | Action had not been taken to investigate the all lands and buildings of the Sabha even once in a year. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.70,720,262 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.63,234,039.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
i Rates and Taxes	1,711	2,111	1,931	658	1,331	1,868	1,949	479
ii Lease Rent	8,203	9,795	1,757	58	8,634	8,634	8,659	65
iii Licence Fees	514	642	642	-	549	549	554	-
iv Other Revenue	138,826	156,227	149,142	156,993	78,429	109,429	114,814	149,958
Total	149,254	168,775	153,522	157,709	88,943	120,480	125,976	150,502

Note

The arrears of revenue of the preceding year amounting to Rs.80,829,000 had included in the revenue collected during the year under review.

2.2.2 Performance in Collection of Revenue

A sum of Rs.153 million or 48 per cent had been recovered from the arrears of Rs.150 million remained as at the beginning of the year under review and the billed revenue of Rs.168 million in the year while a sum of Rs.157 million had to be recovered further as at the end of the year under review.

2.2.3 Rates and Taxes

The rates and taxes, acreage tax and business tax amounting to Rs.273,573, Rs.318,445 and Rs.66,000 respectively had been shown as arrears in the accounts as at the end of the year under review due to action had not been taken to recover during the year.

2.2.4 Court Fines and Stamp Fees

The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.27,160,126 and Rs.119,383,608 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and well being of the people are given below.

(a) By-laws

By-laws should have been imposed by the Sabha to execute 30 main matters under Section 126 of the Pradeshiya Sabha Act. Nevertheless, the Sabha had imposed by-laws for 14 matters only even by 31 December 2017.

(b) Solid Waste Management

The following matters were observed.

- i About 36 tones of bio degradable waste out of 50 tones of waste collected monthly within the authoritative area of the Sabha are being used to produce composts fertilizer but action had not been taken to dispose the glass pieces remnants as environment friendly.
- ii Sums of Rs.161,800,516 and Rs.1,870,180 had been incurred during the year under review as recurrent expenditure for Solid Waste Management activities and as capital expenditure for development activities of the Solid Waste Yard respectively while a sum of Rs.1,000,000 had been incurred for the bio gas unit in the year 2016.

(c) Environmental Issues

Even though, it was approved to develop and to sell the coconut cultivated lands more than 62 acres for housing properties during the year under review, action had not been taken to study the effects made environmentally within the authoritative area and to minimise the adverse effects on that.

(d) Sustainable Development Goals

The Sabha had not aware in respect of the 2030 Agenda on Sustainable Development during the year under review.

3.2 Human Resources Management

The following matters were observed.

(a) Vacancies and Excesses of Staff

The approved and actual cadre for the year under review had been 144 and 157 respectively and 13 vacancies consisting of 01 post of Special Grade Technological Officer (Civil), 06 posts of librarian, 03 posts of pre-school warden and 03 post of Revenue Administrator had existed. Twenty three Development officers not included in the approved cadre had been attached from the Department of Local Government. Further 03 employees relating to the primary posts had been deployed in service in excess.

(b) Staff Loans

A distress loan amounting to Rs.124,624 should be recovered from an employee who vacated the post of the Sabha.

3.3 Uneconomic Transactions

Despite that, a road roller, motor grader and a back-hoe loader were available in the Sabha to be utilized for constructions and maintenance of roads, a sum of Rs.4,816,901 had been paid to external institutions for the vehicles obtained from outside for those purposes during the year under review.

3.4 Procurements

3.4.1 Procurement Plan

The procurement activities envisaged at least for a period of 3 years had not been listed and a Master Procurement Plan had not been prepared by the Sabha in accordance with the provisions of Guideline 4.2.1 of the Government Procurement Guidelines 2006. Similarly, the procurement activities for the subsequent year had not been prepared in detail and the Procurement Plan had not been updated at regular intervals not exceeding six months.

3.4.2 Supplies and Services

The following matters were observed.

- (a) The purchases amounting to Rs.10,626,541 had been made by the Sabha without a competition in 66 instances from January to October 2017 and the goods ordered from that institutions amounting to Rs.858,001 had been received with a delay ranging from 07 days to 30 days in 05 instances.
- (b) The documents including the details of bid invitation should be made available for a bidder by post or personally in terms of the provisions of the Procurement Guidelines but the action had not be taken to provide the documents including the details in respect of 19 instances of purchases made amounting to Rs.1,580,515.
- (c) Even though, the suppliers had been registered to supply the metal related materials, the purchases of metal related materials amounting to Rs.14,966,268 had been made in 67 instances in the year under review from an institution selected in the year 2013 by calling quotations. That situation was an action taken contrary to the Rule 207 of 1988 Pradeshiya Sabha (Financial and Administration) Rules.
- (d) Without being confirmed the financial position of the respective societies in terms of paragraph 3.2 of the Public Finance Circular No.01/2012 dated 05 January 2012, , 09 contracts had been awarded to nine societies totalling Rs.5,401,165.

- (e) The specifications relating to a purchase of 40 computers by incurring a sum of Rs.3,612,000 had not been shown in the paper advertisement and the Technical Evaluation Committee had not examined and certified whether the computers are in due specifications before the payments were made. Even though, the computer system should be windows 10, according to the details of the quotations, a computer of windows 8.1 had been purchased.

3.4.3 Contract Administration

The following matters were observed.

- (a) A sum of Rs.39,735 had been over paid to the contractor due to reducing of the height of the curbs of both sides of the road relating to the project of laying block stones of the Nakkawatta Angurukanda road.
- (b) In laying block stones on the Nakkawatta Angurukanda Agara Mawatha, the curbs of the both sides had not been constructed with due height and as such a sum of Rs.39,945 had been over paid to the contractor. As metal powder had not been laid and not compacted equally for laying block stones, the block stones had not been laid in a similar level.
- (c) One location about 16.5x.6 metres of the road which developed by laying bitumen up to Muruthenna Jayamawatha land was subsided. Similarly, a sum of Rs.686,392 had been paid for laying bitumen for the balance section of the road from Divulagas Junction up to Nawalagedara but a section of 600x600 m.m of the road was subsided.

4. Accountability and Good Governance

4.1 Budgetary Control

Even though, the provisions of Rs.124 million had been made for recurrent expenditure, the provisions of Rs.25 million had been saved due non-implementation of work as planned and the capital expenditure amounting to Rs.96,757,439 had been incurred exceeding the budgeted capital provisions of Rs.38,668,000. As such it was observed that the budget had not been made use of as an effective instrument of financial control.

4.2 Internal Audit

Three officers assigned for the duty of Internal Audit Unit had been assigned other normal duties as well, and the copies of the internal audit reports had not been furnished to the Auditor General in terms of the provisions of the Financial Regulation 134.3.

5. **Systems and Controls**

The deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of controls.

System	Deficiency
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(a) Accounting	i Failure to account the assets purchased. ii Failure to update the subsidiary registers.
(b) Revenue	Non-recovery of arrears of revenue.
(c) Staff Administration	Staff loans remaining without being recovered for a long term.
(d) Contracts	i Lack of adequate supervision. ii Constructions made without complying for due specifications.