

Kamburupitiya Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 May 2013 and the financial statements for the preceding year had been presented on 05 June 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 21 February 2014.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Kamburupitiya Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kamburupitiya Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) Revenue totaling Rs.108,079,475 and expenditure totaling Rs.104,055,568 had not been included in the trial balance.
- (b.) Loan capital amounting to Rs.7,000,000 obtained from the Local Loans and Development Fund on 13 December of the year under review had not been accounted under loan capital in the balance sheet.
- (c.) Warrant charges recovered for rates and taxes, acer tax and water service charges and fines received amounting to Rs.351,850 had been credited to the relevant

revenue head itself, without being accounted under warrant charges and fines in the income and expenditure account.

- (d.) Suspense account had been credited by Journal Entry No13 to rectify the error of understating the bank balance of account No.4442225 during the preceding year by Rs.90,000 instead of being debited the accumulated fund and credited the shortages account.
- (e.) No pay leave amounting to Rs.29,753 recoverable for the year under review had not been accounted as debtors.
- (f.) Although the stamp fees receivable for the year under review amounted to Rs.8,239,970 only a sum of Rs.87,330 had been credited to the income and expenditure account showing a difference of Rs.8,152,640.
- (g.) Court Fines receivable amounting to Rs.157,709 for the year under review had not been accounted as debtors.

1.3.2 Unreconciled Control Accounts

According to the financial statements, the total of the balances of 09 items of accounts amounted to Rs.5,682,201 and according to the subsidiary registers and information made available, the total of the balances of accounts amounted Rs.5,792,801 indicating a difference of Rs.110,600.

1.3.3 Suspense Accounts

There was a credit balance of Rs.1,451,785 in the suspense account as at end of the year under review.

1.3.4 Accounts Receivable and Payable

The value of accounts receivable for over 01 year as at 31 December 2012 was Rs.8,058,539 and the value of accounts payable for over 01 year amounted to Rs.62,287,229.

1.3.5 Lack of Evidence for Audit

Balances totaling Rs.168,822,637 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.3,564,000 as compared with the excess of revenue over recurrent expenditure amounting to Rs.11,052,444 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	709	358	1,092
(ii.) Lease Rent	4,280	4,725	1,428
(iii.) Licence Fees	1,875	1,142	84
(iv.) Other Revenue	23,345	23,286	75,210

2.3 Irregular Transactions

2.3.1 Hire of Vehicles

A van had been obtained on hire basis except driver's allowances and fuel expenses, without calling for quotations. A sum of Rs.56,000 for engaging the vehicle for 16 days of November 2012 and fuel expenses of Rs.18,332 totaling Rs.74,332 had been spent for the van.

2.3.2 Travelling Expenses

- (a.) According to the rules published for payment of travelling expenses; the allowances should be obtained only for activities entrusted by the Sabha or for activities carry out as a people's representative. However, a sum of Rs.315,000 had been paid during the year under review without entrusting any work.
- (b.) Members' allowances amounting to Rs.30,000 had been paid to 04 Members in contrary to Rule No.03(1)(1) of the Notification in the Gazette-Extra Ordinary No. 1413/15 dated 05 October 2005 of the Chief Minister of Southern Province and the Honourable Minister in charge of the subject of Local Government; even though the Members had not attended the Sabha Meetings and Committee Meetings held in the relevant month and had not submitted medical reports.

2.3.3 Purchase of Stationery, Office Equipment and Electrical Equipment

A sum of Rs.294,975 and Rs.781,048 respectively had not been spent during the year 2012 to purchase stationery and office equipment and quotations had not been called for in terms of Rule 178 of the Pradeshiya Sabha (Financial and Administrative) Rules.

2.4 Contract Administration

An agreement had been entered into with a Farmer Organization on 06 June 2012 for Rs.967,742 for the development of the Akurugoda- Nidangala Kanda Road by laying concrete blocks; and a sum of Rs.963,093 had been paid on 08 November 2012 based on the final work done report.

The following matters were observed.

- (a.) A sum of Rs.707,080 had been paid for concrete blocks supplied under Item No.07 of the work schedule of the agreement and for laying concrete blocks on the road under Item No.08. A few places where concrete blocks laid had been sunk at the time of the physical examination carried out on 02 October 2013.
- (b.) A sum of Rs.142,827 had been paid for spray sand layer of 1 1/2" × 2" for 525 square meters as per institutions under Item No.08. The road had been sunked here and there and therefore, it was observed that the work under the above Item of work had not been done according to the standards.

2.5 Operating Inefficiencies

The following observations are made.

- (a.) No action had been taken in respect of 02 Tractors and a Motor Cycle lying idle for over a number of years.
- (b.) All the Members including the Chairman had not submitted the Statements of Assets and Liabilities for the year 2012 in terms of Declaration of Assets and Liabilities Act No.01 of 1975 as amended by Act No.74 of 1988.
- (c.) A sum of Rs.584,442 had been spent during the year under review for purchase of street lamps and equipment and the receipts and issues had not been recorded up to date.
- (d.) The total of the employees loans due as at 31 December 2012 amounted to Rs.2,254,681 and of this, a sum of Rs.67,913 had been shown in the accounts as irrecoverable employees loans.
- (e.) According to Paragraph 05 of the Treasury Circular No. PED/12 dated 02 June 2003 a corporate plan for not less than 03 years should be prepared with a view to achieve the vision and the mission of the Sabha. Nevertheless, such plan had not been prepared for the year 2012.
- (f.) The Sabha had not prepared a procurement plan for the year under review in terms of Paragraph 42(b) of the Circular No. ජ.ප්‍ර.නි./ප්‍ර.වි.නි./18 dated 25 January 2006.

2.6 Internal Audit

An adequate internal audit had not been carried out by the institution and an Audit and Management Committee had not been established for the year under review.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

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