

Kobeygane Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 07 May 2013 and the financial statements for the preceding year had been presented on 28 February 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 September 2013.

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 Kobeygane 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 Kobeygane Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Stamp fees income receivable as at end of the year amounted to Rs.2,093,157 and it had been accounted in the financial statements as Rs.4,662,633 and therefore, stamp fees income receivable had been overstated by Rs.2,569,476. Further, the stamp fees income relating to the year amounted to Rs.1,182,990 and it had been taken into the income and expenditure account as Rs.2,500,000 and therefore, the income for the year had been overstated by Rs.1,317,010.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.12,712,039 could not be satisfactorily vouched in audit due to non-submission of the 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.683,497 as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,682,887 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
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,280	1,285	269
(ii.) Lease Rent	2,262	2,176	273
(iii.) Licence Fees	313	571	209
(iv.) Other Revenue	17,817	14,436	38,009

2.2.2 Rates and Taxes

Rates and taxes billed for the year under review amounted to Rs.303,000 and the arrears of rates amounted to Rs.343,199 and it represents 113% of the amount billed. A sample check revealed arrears amounting to Rs.213,606 relating to 109 units of rates and it included arrears amounting to Rs.52,016 relating to 38 units for periods 01-03 years,

Rs.56,957 relating to 26 units for periods 3-5 years and Rs.104,633 relating to 45 units for periods over 05 years.

2.2.3 Lease Rent

Lease rent in arrears amounted to Rs.28,500 for 02 properties as at 31 December 2012.

2.2.4 Processing Charges for Telephone Transmission Towers

The approved number of telephone transmission towers within the area of Sabha was 07 and a sum of Rs.1,400,000 had been recovered during the years 2010,2011 and 2012 on the above towers. However, annual licence fees had not been recovered.

2.2.5 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.1,660,746 and Rs.4,662,633 respectively.

2.3 Irregular Transactions

The Sabha had purchased a used Excavator Bacho Machine on 12 April 2006 at an expense Rs.1,090,000 for the Solid Waste Management Project and the machine had not been in working order since the date of purchase up to October 2011 and had been repaired at an expense of Rs.384,597 by the year under review. The machine had performed only 3050 km. during the relevant period. Although the machine was not in working order since the time of purchase an investigation had not been carried out on this irregularity.

2.4 Assets Management

- (a.) The value of land and buildings, motor vehicles and carts not supported by physical verifications/Board of Survey Reports amounted to Rs.25,528,467. Although furniture and fittings and stock in hand had been verified, these items had not been valued and shown in the financial statements.
- (b.) Although the Kobeygane Police Station located in a building owned by the Sabha since prior to 2006., a monthly rent had not been recovered on it. An assessment

report had been obtained for this building with the land under the land Acquisition Act and the Divisional Secretary, Kobeygane by his letter dated 30 July 2012 had informed the Sabha that the Kobeygane Police should pay a sum of Rs.5,000,000 to the Sabha and acquire the relevant land. But, the money had not been recovered and vested the property even by the end of the year under review.

2.5 Human Resources Management

- (a.) The approved cadre of the Sabha is 39 and the actual cadre was 32 and the number of vacancies was 07. Of this, the post of Secretary was on acting basis and 01 out of the 02 approved posts of Technical Officers and 04 out of 05 posts of Librarians and the post of Controller of Revenue had been vacant since year 2009.
- (b.) There were 08 Road Labourers in the Sabha and there had been no advance program for engaging them on duties daily and they had been assigned with duties on day to day basis. There was no register for deploying these labourers and no list of works for each labourer. Therefore, the locations at which these labourers were employed could not be identified.

2.6 Operating Inefficiencies

- (a.) The Sabha should have maintain 09 roads at a cost of Rs.650,000 under the Item of Expenditure; Repair and Maintenance of Roads. But only 01 out of the 09 roads proposed to be reconstructed had been completed. Extraneous to this various works had been carried out from these provisions at certain instances on the proposals of members.
- (b.) Contributions payable to the Local Government Pension Fund had not been duly paid and therefore a balance of Rs.454,882 had been payable to the said Fund as at end of 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.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management