

Kekirawa Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial Statements for the year under review had been presented to audit on 27 March 2013 and the financial statements for the preceding year had been presented on 27 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 21 October 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 Kekirawa 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 Kekirawa 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

- (a) A Loan of Rs.7,900,688 obtained from the Local Loans and Development Fund had been brought to account as capital revenue instead of being accounted as loans.
- (b) The value of the stock of bakery production equipment had been overstated by Rs.7,326,000.
- (c) Revenue from court fines and court fines receivable had been understated by Rs.2,000,000.

- (d) Three items of revenue received totaling Rs.1,096,330 had been credited to the accumulated fund without being accounted as revenue for the year under review.
- (e) The cost of Rs.1,563,750 of the garage constructed by the Sabha had not been capitalized.

1.3.2 Lack of Evidence for Audit

Two items of assets and a revenue item totaling Rs.47,752,469 could not be satisfactorily verified / 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.37,823,296 as compared with the excess of revenue over recurrent expenditure amounting to Rs.15,422,031 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a) A sum of Rs.1,143,726 collected by a Sub-office had been retained in a collection account without being credited to the Sabha fund for over one year, contrary to the provisions of Rule No.10 (3) of Pradeshiya Sabha (Financial and Administrative) Rules - 1988.
- (b) Assignment of duties, and segregation of duties so as to strengthen the internal control had not been done.

2.3 Revenue Administration

2.3.1 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 shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs'000	Rs'000	Rs'000
(i) Rates and Taxes	6,136	5,486	2,023
(ii) Lease Rent	3,121	2,501	619
(iii) Licence Fees	2,301	3,125	-
(iv) Other Revenue	84,426	59,044	25,382

2.3.2 **Rates and Taxes**

Assessment of property with a view to levy rates had not been updated and rates are being recovered based on the assessment made in year 2004.

2.3.3 **Court Fines and Stamp Fees**

(a) **Stamp Fees**

According to the records of the Department of Land Registration and the revenue records of the Sabha, the stamp fees due for the year 2010 as at 31 December 2012 amounted to Rs.3,844,851 and the revenue receivable for the years 2011 and 2012 had not been ascertained and brought to account.

(b) **Court Fines**

Income from court fines due as at 31 December 2012 from the Chief Secretary of Provincial Council and other authorities amounted to Rs.53,087,965.

2.4 Idle and Underutilized Physical Resources

Two official residences of the Sabha valued at Rs.200,000 had not been used for over 07 months.

2.5 Contract Administration

An agreement had been entered into on 14 April 2010 for modification of the Town Hall of the Sabha and for construction of the Library Building at an estimated cost of Rs.26,932,266 implemented under the Local Government Infrastructure Project . The expenditure up to 31 December 2012 amounted to Rs.25,753,290. A physical check carried out on 08 March 2013 revealed the following matters.

- (a) The gap between the walls of the building and the roof had not been covered and the animals are allowed to enter the building and damage the building and the terraso surface of the floor had been cracked.
- (b) Quality control reports had not been obtained in respect of old iron (Lintel) used for the renovation of the building.

2.6 Operating Inefficiencies

A sum of Rs.2,251,900 had been spent during 2008 for implementation of a rice flour related production project in terms of the agreement entered into between the Chief Secretary of the North Central Provincial Council and the Kekirawa Pradeshiya Sabha with the objective of promoting rice flour related productions . The Project could not be implemented and the expenditure incurred had become fruitless. The parties responsible had not paid attention on an alternative action to use these resources.

2.7 Solid Waste Management

The Sabha had not implemented a waste management project during the year under review and therefore, there was no satisfactory situation on disposal of waste. The waste recycling centre constructed in 2009 at an expenditure of Rs.3,618,563 also had been idling.

3. Systems and Controls

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

- (a) Internal Audit
- (b) Human Resources Management
- (c) Revenue Administration