

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 26 May 2014 and the financial statements for the preceding year had been presented on 28 May 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 December 2014.

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 Kamburupitiya Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

(a) According to Circular No. PED/54 of 19 January 2010 of the Director General of Public Enterprises, the Local Authorities should prepare financial statements in accordance with the Sri Lanka Public Sector Accounting Standards from 01 January 2011. Nevertheless, those Standards had not been followed.

(b) The cash flow statement had not been presented along with the financial statements of the year under review.

1.3.2 Accounting Policies

Accounting policies followed in the preparation of those accounts had not been disclosed in the financial statements presented for the year under review.

1.3.3 Accounting Deficiencies

The following matters are observed.

- (a) Even though the sum of Rs.157,710 received in the year under review for court fines debtors for the year 2012 should be debited to the cash book and credited to the Debtors' Account, that amount had been debited to the Debtors' Account and credited to the Accumulated Fund by Journal Entry No.33. As such, that amount had been double counted between those accounts.
- (b) A sum of Rs.144,709 received by receipt No. 8854 relating to the Provincial Specific Development Plan on 06 December 2013 for the year under review had been credited to the Debtors' Account. As such, the sundry debtors' amount and capital aid for the year under review had been understated in the accounts by the same amount as at 31 December 2013.
- (c) Even though an improvement had been made in fixed assets belonging to the Sabha due to capital expenditure of Rs.3,114,034 incurred for constructions of buildings, development of lands and a water project, that expenditure had been debited to the Fixed Assets Income and had not been credited to the Contributed Capital Input Income Account.
- (d) Even though the four wheel tractor and the trailer valued at Rs.1,463,200 had been granted to the Sabha on 06 June 2013 under the Programme of Improvement of Infrastructure Facilities of Local Government Authorities, that value had been debited to the Motor Vehicles and Carts Account and had not been credited to the Contributed Capital Input Income Account.
- (e) The capital expenditure of Rs.64,900 incurred in the year under review had been brought to account as revenue expenditure.
- (f) Receipt of income from stamp fees of Rs.810,332 received for the year 2012 had not been adjusted between relevant accounts in the year under review.
- (g) Receipt of insurance fees of Rs.66,231 for the double cab belonging to the Sabha had been shown by deducting from repair expenses. As such, that expenditure had been understated in the accounts by that amount.
- (h) A sum of Rs.44,064 received for maintenance of street lamps for the year 2012 had been credited to the supplies and equipment Expenditure Head without being credited to the Debtors' Account in the year under review. As such, Debtors' Account and Expenditure account had been overstated and understated in the account by that amount respectively.

1.3.4 Unreconciled Control Account

According to the financial statements relating to 04 items of accounts, the total of the balances had been Rs.48,061,933 and according to the supporting documents / schedules, the

total of the balances of accounts had ben Rs.50,042,301, thus indicating a difference of Rs.1,980,368.

1.3.5 Suspense Account

The credit balance of Rs.1,168,845 in the Suspense Account being brought forward from preceding years had not been settled even in the year under review.

1.3.6 Accounts Receivable and Payable

The following matters are observed.

- (a) The total of the balances of accounts receivable for over 01 year as at 31 December 2013 amounted to Rs.15,325,332.
- (b) The total of the balance of accounts payable for over 01 year as at the end of the year under review amounted to Rs.1,002,220.

1.3.7 Lack of Evidence for Audit

Evidence in respect of 05 items of accounts valued at Rs.41,531,049 had not been made available to audit.

1.3.8 Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with following laws, rules and regulations observed in audit are given below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Pradeshiya Sabha (Finance and Administration) Rules 1988	

Rule 218	Even though the Chairman should take action to verify lands and buildings once in every year, action had not been taken accordingly.
(b) Circular No. 2002/02 of 28 November 2002 of the Secretary to the Treasury	A Register of Fixed Assets on computer accessories and software had not been maintained.

- (c) Circular No.08/2005 of 31 March 2005 of the Secretary of Public Administration According to Section 11.5 of the revised Circular on property loans, the difference between the bank interest rate for property loans and the 4.2 per cent recovered from the officer should be reimbursed by the Government. However, the amount which had not been reimbursed as at 31 December 2013 was Rs.384,000.

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 2013 amounted to Rs.6,416,946 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.3,564,000 for the preceding year.

2.2 Revenue Administration

Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Items of Revenue	Estimated	Actual	cumulative arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Acreage Taxes	336	365	1,014
Rents	5,113	5,438	2,370
License Fees	1,257	1,611	84
Other Revenue and Aid	27,606	28,076	14,826

2.3 Performance of Collection of Revenue

(a) Rates

The arrears of rates as at 01 January 2013 had been Rs.857,373 and out of that, only a sum of Rs.169,330 had been recovered during the year and as such, the percentage of recovery of rates had taken a trivial value of 19 per cent.

(b) Water Charges

The opening outstanding amount of the year under review had been Rs.1,269,077 whereas the billing amount had been Rs.1,297,201. Out of the outstanding amount, a sum of Rs.680,589 had been received during the year under review and the progress of recovery had been 53 per cent. Out of the billing amount, a sum of Rs.691,105 had been recovered and the progress of recovery had been 53 per cent.

3. Operating Review

3.1 Operating Inefficiencies

3.1.1 Maintenance of Street Lamps

The Sabha had spent a sum of Rs.947,000 for purchase of street lamps equipment and salaries and allowances of the operators in the year under review. Matters observed in respect of issuing and maintenance of electric equipment purchased are given below.

- (a) The amount spent for maintenance of street lamps in the year under review had not been reimbursed from the Ceylon Electricity Board.
- (b) The maintenance of street lamps within the area of authority of the Sabha had not been carried out in terms of paragraph 1.4 of the Circular No. PE/01/01 of 17 August 2010 and of the Secretary to the Ministry of Power and Energy and in installation of street lamps within the area of authority of the Sabha, electricity consumption of street lamps should be limited to 3 per cent of the household and general purpose retail consumption of the relevant area. However, the Sabha had not paid attention thereon.

3.2 Idle Resources

A sum of Rs.1,893,293 had been spent for the construction of multipurpose buildings at Eeriyathota and the Welhengoda Water Project in the years 2012 and 2013 by the Sabha. The following matters are observed.

- (a) Agreements had been signed for a sum of Rs.977,589 for construction of the multipurpose building at Eeriyathota and according to payment records, the value of the completed works had been Rs.943,454. Even though it had been mentioned in the presentation of the relevant work proposal that this activity of construction is useful to 302 beneficiaries, this building had not been opened for public interest even by September 2014.
- (b) It had been revealed that an expenditure of Rs.1,044,184 had been incurred for constructions of Welhengoda Water Project and activities of distribution of water had not been commenced even by September 2014 by the above project.

3.3 Human Resources Management

Particulars on the cadre of the Sabha as at 31 December 2013 are given below.

Category of Employees	Approved	Actual	Vacancies	Excess
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Tertiary	01	01	-	-
Secondary	22	20	02	-
Primary	42	40	02	-
Other (Casual, Temporary, Contract basis)	-	19	-	19
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	65	80	04	19
	=====	=====	=====	=====

A sum of Rs.11,079,200 had been reimbursed by the Commissioner of Local Government as salaries of the staff and the members allowances in the year under review and a sum of Rs.18,538,150 had been spent as salaries and allowances, thus resulting in an additional expenditure of Rs.7,458,950 for the Sabha Fund.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate internal audit had not been carried out in the Sabha.

4.2 Audit and Management Committees

The Sabha had not conducted the Audit and Management Committees.

4.3 Procurement Plan

A Procurement Plan had not been prepared for the year under review by the Sabha in terms of 42(b) of Circular No. ජ.ප්‍ර.නි./ප්‍ර.වි.නි./18 of 25 January 2006.

4.4 Budgetary Control

According to the budget presented for the year under review, significant variances were observed in respect of income and expenditure, thus the budget had not been made use of as an effective instrument of financial control.

5. Systems and Controls

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

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