

Nikaweratiya Pradeshiva 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 31 March 2014 and the financial statements for the preceding year had been presented on 19 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 December 2014.

1.2 Opinion

In view of the significant matters pointed out in paragraphs 1.3 of this report, I was unable to obtain appropriate and sufficient audit evidence, to provide a basis for audit opinion. Therefore I do not express an opinion on these financial statements.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) The capital aid for the Physical Plans, Roads and Ways, Land and Buildings Programme relating to the year under review was Rs.17,794,000 where as it had been shown in the financial statements as Rs.30,832,330 overstating by Rs.13,038,330. The capital expenditure was Rs.28,592,318 and it had been shown in the financial statements as Rs.21,624,497 understating by Rs.6,967,821.
- (b.) The balance of the works debtors as at end of the year under review amounted to Rs.17,328,846 and it had been taken to the financial statements as Rs.40,722,076 overstating by Rs.23,393,230.
- (c.) The balance of works creditors as at end of the year under review amounted to Rs.23,599,090 where as it had been shown in the financial statements as Rs.33,289,868 overstating by Rs.9,690,778.

- (d.) Income from court fines relating to the year under review was Rs.7,590,160 and it had been shown in the financial statements as Rs.7,721,088 overstating by Rs.130,928.
- (e.) The balance of the contributions payable to the Pensions Fund as at end of the year under review amounted to Rs.3,456,151 and it had been taken to the financial statements as Rs.3,364,659 understating by Rs.91,492.
- (f.) The value of the library books as at end of the year under review amounted to Rs.3,758,708 where as it had been taken to the financial statements as Rs.3,480,963 understating by Rs.277,745.
- (g.) The construction cost of Health Center completed by 2012 was Rs.61,099,770 of this, only a sum of Rs.20,772,908 had been capitalized and therefore, the value of buildings and the balance of revenue contribution to capital outlay account had been understated by Rs.40,326,862.
- (h.) The value of the building of the “Pilisar” Project constructed at a cost of Rs.2,487,516 during 2010 had not been brought to account under fixed assets.
- (i.) The sum of Rs.14,582,717 due as at end of the year under review in respect of stalls for which tenders had been called for on key-money basis during the year 2009 and 2012 had not been accounted under debtors.
- (j.) The Tractor bearing No.49-0067 the cost of which was Rs.745,000 and the tractor bearing No.NW.R.B 0942 the cost of which was Rs.1,020,000 received during 1992 and 2008 had not been capitalized.

- (k.) The credit balance of Rs.22,770,888 in the accumulated fund account as at 31 December 2012 as per ledger had been taken to the ledger account as at the beginning of the year under review as a debit balance of Rs.7,388,386.
- (l.) The credit balance of Rs.46,726,416 in the revenue contribution to capital outlay account as at 31 December 2012 had been taken to the ledger account as at the beginning of the year under review as Rs.74,258,318.

1.3.2 Unreconciled Control Accounts

There were differences amounting to Rs.3,514,028 between the accounts relating to 08 items of accounts under the receipts for the year under review and the closing balance and the corresponding values as per relevant registers.

1.3.3 Contingent Liabilities

The balance payable to the Local Government Pension Fund as at end of the year under review amounted to Rs.3,756,151 due to non-payment of contributions promptly to the said Fund in respect of employees retired from the service of the Pradeshiya Sabha.

1.3.4 Accounts Receivable and Payable

The following observations are made.

- (a.) The value of the balances of accounts receivable as at 31 December 2013 amounted to Rs.56,994,826 and an age analysis of this had not been made available.
- (b.) The value of the balances of accounts payable as at 31 December 2013 amounted to Rs.46,150,420 and of this age analysis had not been made available in respect of Rs.46,111,246.

1.3.5 Lack of Evidence for Audit

Transactions totaling Rs.155,304,760 could not be examined in detail due to non-submission of required information to audit.

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.9,170,998 as against the excess of recurrent expenditure over revenue amounting to Rs.1,171,961 for the preceding thus indicating an improvement in the financial result by Rs.10,342,959. The excess relating to the year under review had been increased up to Rs.15,565,593 after making adjustments to the financial result for capital aid amounting to Rs.32,217,281 and capital expenditure amounting to Rs.25,822,686.

2.2 Analytical Financial Review

The following observations are made.

- (a.) The total recurrent revenue of the Sabha for the year under review amounted to Rs.50,971,567 and of this, Rs.33,796,962 representing 66% consists of non-generated revenue such as court fines, stamp fees, salary reimbursements etc. Further, the capital revenue of Rs.32,217,280 included Rs.17,794,000 equivalent to 55% which consists of money received for development activities of the area of the Sabha from other institutions such as Gama Neguma, Maga Neguma etc.
- (b.) The total recurrent expenditure of the Sabha for the year under review amounted to Rs.41,800,569 and of this, Rs.23,323,459 representing 56% had been spent for personal emoluments; and of this, 77% equivalent to Rs.17,886,251 had been received from the Commissioner of Local Government as salary reimbursements and had been accounted under other revenue. The capital expenditure amounted to Rs.25,822,686 and of this, only a sum of Rs.10,793,318 representing 42% had been spent out of Sabha funds and the balance 58% equivalent to Rs.15,029,368 had been spent out of the provisions of other institutions for development activities such as Gama Neguma, Maga Neguma etc.

2.3 Revenue Administration

2.3.1 Performance of Collection of Revenue

Although there is no specific authority to collect revenue such as trade licence fees, business tax, stall rent, lease rent at field, the Revenue Collectors of the Sabha had collected rates and taxes and trade licence fees at field throughout the year.

2.3.2 Rates and Taxes

There were arrears amounting to Rs.51,356 as at end of the year under review relating to 30 properties of the Nikaweratiya Co-operative Society that had been billed at Rs.51,356 annually and there were arrears amounting to Rs.169,958 as at end of the year under review relating to 09 properties of the Paddy Marketing Board situated within the area of the Sabha billed annually at Rs.28,608.

2.3.3 Business Tax and Trade Licence Fees.

A list of industries and trading businesses had been prepared and submitted to the Secretary of the Sabha in terms of Section 150(1) and 152(1) of the Pradeshiya Sabha Act No.15 of 1987. However, it had not been informed to the relevant parties in format 9.26 to pay the tax levied by the Sabha within 07 days.

2.3.4 Stall Rent

(a.) Tenders had been called for in July 2009 based on key-money method for 18 stalls of the ground floor and 12 stalls of the upper floor of the Bus Stand. Tenders had not been forwarded for 12 stalls of the upper floor of which the minimum bid was Rs.4,200,000 and stall No.05 of the ground floor of which the minimum bid was Rs.711,000. According to the tender conditions relating to the tenders for stalls, 40% of the accepted tendered amount should be paid within the 21 days of the date of receipt of the letter and the balance 60% should be paid full within 05 months. But, the entire tendered amount of Rs.2,635,100 in respect of 04 out of 17 stalls of the ground floor and a sum of Rs.2,221,298 out of the tendered amount of Rs.5,784,500 in respect of 11 stalls had been outstanding by December 2013. Tenders had been called again for leasing out of 12 stalls of the

upper floor in July 2012 and according to the relevant tender conditions, 50% of the accepted tendered amount should be paid within 21 days from the date of receipts of the relevant letter and the balance 50% should be paid within 90 days in one payment or in installments. However no money had been recovered in respect of Stall No.A1-1 tendered for a sum of Rs.820,500 and Rs.2,420,760 out of the tendered amount of Rs.4,341,000 relating to other 8 stalls had not been recovered even by December 2013.

- (b.) Tenders had been called for in September 2012 in respect of 22 stalls of the Sabha of the upper floor and the ground floor of the Clinical Centre building on key-money basis at a minimum bid of Rs.24,340,000. However, only five stalls of the above of which the minimum bid aggregated Rs.3,990,000 had been offered for Rs.4,013,500 and no money had been recovered even by November 2013. Again in May 2013, 21 stalls of the ground floor had been tendered at the lowest bid totaling Rs.15,750,000 and 04 stalls of the upper floor at the lowest bid totaling Rs.3,600,000. Of this, tenders had been awarded for Rs.7,045,000 in respect of 09 stalls of which the lowest bid was Rs.6,970,000. However, no money had been received from stall No.10 of the ground floor tendered for Rs.750,500 and a sum of Rs.4,048,750 had been outstanding by December 2013 from another 08 stalls.

3. Operating Review

3.1 Management Inefficiencies

The Sabha had not identified the property owned by the Sabha and get assured the legal ownership of those properties, but had given permission to outside parties to construct buildings in those properties. An outside party had constructed a milk bar and a factory at an expense of Rs.1,000,000 in the land of plan No. C59 owned by the Sabha at Palugas Junction during 2009 without obtaining authority. However, the Sabha had given approval to obtain electricity and water facilities for this place.

3.2 Implementation of Projects

The following observations are made.

- (a.) The Bus Stand building consists of 30 stalls had been completed at a cost of Rs.15,231,032 during 2011. However, water and electricity connections had not been provided to this and had not been opened for business even by December 2013.
- (b.) The Clinical Centre building had been completed by December 2011 at a cost of Rs.61,099,770 under Asian Development Bank credit facilities and water and electricity had not been obtained for this building and opened even by December 2013. However, installments and interest amounting to Rs.3,798,750 and Rs.3,164,584 respectively had to be paid during 2012 and 2013 for the loans obtained for the construction of this building. Although a sum of Rs.2,500,000 had been estimated for obtaining electricity, there were no provisions for this and the electricity system had not been installed in order to fix separate meters for each and every stall.

3.3 Solid Waste Management

The “Pilisar” Project works had been completed by 2012 at an expense of Rs.3,449,380. However, the objectives of this project had not been achieved due to the delay in providing electricity and water facilities. Presently, the waste collected from the area of the Sabha had been disposed of to a 10 acres land situated in Thimbiriyawa by burial method.

4.2 Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Financial Control
- (d.) Revenue Administration
- (e.) Implementation of Projects