

Kamburupitiya Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 13 May 2015 while Financial Statements relating to the preceding year had been submitted on 26 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 31 August 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kamburupitiya Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Notes relating to Accounting Policies followed and assumptions made in preparation of accounts had not been submitted with the financial statements presented for the year under review.

1.3.2 Accounting Deficiencies

Following matters are observed.

- (a) When making reimbursement of Members Allowance relevant to the year under review, a sum of Rs. 405,000 had been deducted for Motor Cycle Loans granted to 09 Members of the Sabha by the Commissioner of Local Government. That amount had not been shown under Revenue Grants and Salaries and Allowance Expenditure in the Revenue and Expenditure Account.

- (b) Capital Expenditure amounting to Rs. 41,650 incurred during the year under review had been accounted twice under Capital Expenditure Heads 109 and 309. Due to that the amount of Capital Expenditure had been overstated in the Revenue and Expenditure Account to that extent.
- (c) It was required to debit a sum of Rs. 157,710 to the Accumulated Fund and credit that amount to the Sundry Debtors during the year 2014 in order to rectify the error took place according to Journal Entry 33 during the year 2013. However, a sum of Rs. 315,420 had been debited to the Accumulated Fund and that amount had been credited to the Sundry Debtors Account through the Journal Entry 18. Accordingly a sum of Rs. 157,110 had been over debited and credited in those accounts respectively.
- (d) A total sum of Rs. 400,000 being an advance paid amounting to Rs. 200,000 and a sum of Rs. 200,000 being transfer of funds among accounts was included in the Repairs and Maintenance Expenditure amounting to Rs. 589,692 shown under Other Utility Services Program of the year under review.
- (e) According to the Stocks Register, there had been a stock of 59 water meters valued at Rs. 277,300 as at 31 December 2014. However, the value of the balance stock of water meters had been shown as Rs. 94,400 in the Balance Sheet understating in a sum of Rs. 182,900. Similarly, in computation of expenditure amounting to Rs. 510,025 shown as Repairs and Maintenance Expenditure under Water Services Program in the Revenue and Expenditure Account for the year under review an overstatement of Rs. 182,900 had been made due to under valuation of closing stock. While 91 water meters had been issued during the year, value of those had been Rs. 422,700. Although it was a Capital Expenditure, it been shown as Recurrent Expenditure under Repairs and Maintenance Expenditure.

- (f) While capital expenditure incurred amounting to Rs. 2,064,697 during the year for Land and Buildings, Machinery and Equipment, Furniture and Fixtures etc. had been accounted as recurrent expenditure, the assets acquired to the Sabha on the basis of that expenditure had not been capitalized under the respective assets.
- (g) A sum of Rs. 117,970 spent on repairing assets during the year under review had been capitalized and included in the value of Motor Vehicles and Carts amounting to Rs. 19,432,655 shown in the Balance Sheet as at 31 December 2014.
- (h) Value of a Kubota Tractor (with Trailer) bearing No. 049.0267 amounting to Rs.225,000 was included in the value of Motor Vehicles and Carts amounting to Rs.2,924,725 shown in the Balance Sheet as at 01 January 2014. While this tractor had been auctioned on 31 October 2014, instead of crediting the Motor Vehicles account having debited Contribution from Revenue to Capital Outlay Account in order to remove this value from the books, it had been credited in the Machinery and Equipment Account through Journal Entry 29. Accordingly, value of Machinery and Equipment as at 31 December 2014 had been understated in a sum of Rs. 225,000 while the Motor Vehicles and Carts Account had been overstated to that extent.
- (i) Although a sum of Rs. 1,420,062 had been debited to the Machinery and Equipment Account having credited the Contribution from Revenue to Capital Outlay Account through Journal Entry 16, Recurrent Expenditure amounting to Rs. 159,947 too had been included in that.
- (j) The sum of Rs. 3,288,747 paid as 20 per cent advance to the contractor for construction of crematorium in Kamburupitiya, Mapalana, Ratalankawatta had been debited to Expenditure Head 309 without being debited to the Advance Account.

- (k) According to the Gas Requisition Book of the crematorium, the balance of stock of Gas as at 31 December 2014 had been 240 Kilo Grams of Gas valued at Rs. 46,495. This stock had not been shown in the Balance Sheet as at the end of the year.
- (l) While action had been filed for recovery of License Fees amounting to Rs. 9,700 at the end of the year, that amount had been debited to Accumulated Fund having credited License Fees Control Account by Journal entry 31. This should have been debited to the License Fees in Arrears under Litigation Account.
- (m) Value of Computers and Accessories provided to the Sabha on 30 June 2014 by the Local Government Department for Pura Neguma Project had not been assessed and capitalized under Fixed Assets.

1.3.3 Unreconciled Control Accounts

While the value of balances relevant to six items of accounts according to financial statements was Rs. 122,809,032, according to subsidiary registers/schedules total value of those accounts had been Rs. 103,244,164 indicating a difference of Rs. 19,564,868.

1.3.4 Suspense Accounts

Suspense Account balance of Rs. 1,168,845 which was being brought forward from past years had not been settled during the year under review as well.

1.3.5 Accounts Receivable and Payable

- (a) Value of Accounts Receivable balances which had remained un-settled for more than one year as at 31 December 2014 was Rs. 18,683,671.
- (b) Value of Accounts Payable balances which had remained un-settled for more than one year as at 31 December 2014 was Rs. 1,412,540.

1.3.6 Lack of Evidence for Audit

Fixed Assets Register, Board of Survey Reports, Register of Advance, Schedules etc. relevant to 05 items of accounts valued at Rs. 65,318,085 shown in the financial statements were not submitted to audit.

1.3.7 Un-authorized Transactions

- (a) A sum of Rs. 199,700 had been spent for the purchase of exercise books and brown paper bags for prize giving of 2013 and 2014 among 38 pre-schools functioning in the area of authority of the Sabha.

- (b) Such contributions not exceeding in the aggregate one thousand rupees in any year as may be voted by the Pradeshiya Sabha, and such other contributions as may be voted by the Sabha with the prior sanction in writing of the Minister towards the support of any educational or benevolent institutions; could be made in terms of Section 132(o) of the Pradeshiya Sabha Act No. 15 of 1987. However, a sum of Rs. 199,700 had been spent for providing books to the pre-schools for the years 2013 and 2014 out of the Sabha Fund during the year under review without approval as mentioned above.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs. 3,221,528 as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,416,946.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

| Item of Revenue | Estimated | Actual | Cumulative Arrears as at 31 December |
|--------------------------------|-----------|---------|---|
| ----- | ----- | ----- | ----- |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| (i.) Rates and Taxes | 338 | 359 | 977 |
| (ii.) Rent | 5,529 | 5,831 | 998 |
| (iii.) Licences | 1,803 | 1,438 | 80 |
| (iv.) Other Revenue and Grants | 33,400 | 32,469 | 69,289 |

2.2.2 Rates

While Rates in arrears as at 01 January 2014 was Rs. 747,063, billings for the Year under review had been Rs. 313,179. A sum of Rs. 121,445 relevant to billing for the year and a sum of Rs. 140,445 out of arrears had been recovered during the year. While the progress of Recovery out of the balance of arrears during the year had taken a petty value such as 16 per cent; progress of recovery from the billings for the year had been about 39 per cent. While Acreage Tax in arrears as at 01 January 2014 was Rs. 259,955, billings for the Year under review had been Rs. 22,250. While any amount had not been recovered out of arrears during the year, the progress of recovery out of annual billings during the year had been about 13 per cent.

2.2.3 Water Tax

While the balance in arrears as at 01 January 2014 was Rs. 1,194,854, billings and surcharges relevant to the year amounted to Rs. 1,422,369 and Rs. 392,130 respectively. While a sum of Rs. 444,070 out of the balance in arrears had been recovered during the year; percentage of progress in recovery of arrears was about 37 per cent. Recoveries based on the billings relevant to the year amounted to Rs. 864,185, percentage of progress in recovery was about 61 per cent.

3. Operating Review

3.1 Management Inefficiencies

3.1.1 Staff Loans

According to the Staff Loans Register, the loan balances outstanding as at 31 December 2014 totaled to Rs. 2,336,514. In those balances, there were balances totalling Rs.63,276 of which installments had not been received since a period prior to the year 2004 relevant to 16 employees.

3.1.2 Human Resources Management

Information relating to the approved and actual Cadre of the Sabha as at 31 December 2014 is shown below.

| Category of Employees | Approved | Actual | Vacant | Excess |
|-----------------------|----------|--------|--------|--------|
| Tertiary | 01 | 01 | - | - |
| Secondary | 26 | 23 | 03 | - |
| Preliminary | 37 | 36 | 01 | - |
| Others | - | 26 | - | 26 |
| Total | 64 | 86 | 04 | 26 |

Following matters are observed.

- (a) While a sum of Rs. 17,442,000 had been reimbursed from the Commissioner of Local Government for Staff Salaries and Allowances, a sum of Rs. 24,877,930 had been spent for salaries and other allowances of the staff during the year. Accordingly, a sum of Rs. 7,435,930 had been a burden to the Sabha Fund. It was 30 per cent of the total salary expenditure.
- (b) Although it had been informed vide Management Services Circular No. 14 dated 03 January 2002 of the Secretary to the Treasury and Circular No. 28 dated 10 April 2006 of the Secretary to the Ministry of Finance and Planning that

recruitments in Local Authorities on the basis of temporary, casual substitute or other basis should be suspended immediately, it was observed that the Pradeshiya Sabha had paid salaries out of the Sabha Fund having recruited 26 employees during the year 2014.

- (c) While the self-generated revenue relevant to the year under review amounted to Rs.21,762,445, out of that, receipts in cash during the year had been 14,957,267. The sum of Rs. 7, 435,930 spent out of the self-generated revenue received in cash was about 52 per cent.

3.1.3 Physical Resources Management

The Chairman had not taken action to carry out a survey of all Lands and Buildings utilized and occupied by the Sabha at least once in every year through a Board of Survey consist of Vice Chairman, Technical Superintendent and any other officer delegated with authority by the Secretary to the Sabha in terms of Pradeshiya Sabha (Financial and Administrative) Rule 218 of 1988.

3.1.4 Roads Management

According to the Budget sanctioned by the Sabha for the year under review, the area of authority belongs to the Sabha is 60.86 square k.m., and the number of Grama Niladhari Division is 39. While the total length of roads had been 334.76 k.m , tarred, gravel and concrete roads were 27 k.m. 245.76 k.m and 62 k.m. of length respectively.

Following matters are observed.

- (a) Forty two roads published through the Gazette in terms of Section 24 of the Pradeshiya Sabha Act No. 15 of 1987 had not been recorded in the Roads Inventory Register of the Sabha.
- (b) Although a Roads Inventory Register had been maintained, only 405 roads had been entered therein. While the nature of road (Tarred, gravel, concrete) had not been recorded with regard to 314 roads, length and width etc. relevant to roads numbered from 315 to 405 had not been mentioned in the Inventory Register.

4. Accountability and Good Governance

4.1 Budgetary Control

The Budget of the Sabha had not been made use of as a tool of financial management as material variations were observed between budgeted revenue and expenditure and the actual revenue and expenditure.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Budgetary Control
- (d.) Expenditure Control
- (e.) Stores Administration
- (f.) Assets Management