

Nikaweratiya Pradeshiya Sabha
Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 17 May 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 25 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 Nikaweratiya Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Accounting standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) Although the value of Salary Reimbursements Receivable as at the end of the year under review was Rs. 4,924,339, it had been shown as Rs. 4,602,213 in the financial statements. Due to that, revenue for the year and the revenue debtors had been understated to an extent of Rs. 322,126.
- (b) Although the Stamp Revenue relevant to the year under review was Rs. 7,543,251, it had been shown as Rs. 6,935,139 in the Revenue and Expenditure Account Due to that, revenue for the year had been understated in a sum of Rs. 608,112.
- (c) Insurance compensation of Rs. 152,903 received for damages caused to the Fan Cover of the Motor Grader Machine had been accounted as Sundry Income (3/61) and due to that revenue for the year had been overstated to that extent.
- (d) Courts Fines Revenue Receivable amounting to Rs. 1,334,084 in respect of November and December of the year under review had not been accounted as Debtors. Due to that, revenue for the year and the debtors had been understated to that extent.

- (e) Lease Rent Revenue amounting to Rs. 369,031 receivable relevant to the year under review had not been identified as revenue receivable and accounted. Due to that, revenue for the year and the revenue debtors had been understated to that extent.
- (f) The sum of Rs. 5,611,440 outstanding to be recovered in respect of 18 stalls in the bus stand tendered on the system of pre-payment method (Key Money) during the years 2009 and 2012 had not been accounted as Debtors.

1.3.2 Non-reconciled Control Accounts

Non-reconciliations in a sum of Rs. 1,012,024 were observed between the accounts and relevant registers relating to 06 items of accounts under final balances of the year under review.

1.3.3 Accounts Receivable and Payable

Following matters are observed.

- (a) Stamp Fees Balance of Rs. 10,657,404 and Work Debtors Balance of Rs. 7,570,789 receivable from the years 2011 to 2013 were included in the Accounts Receivable.
- (b) The value of Accounts Payable as at 31 December 2014 was Rs. 63,304,821. A balance of Rs. 3,018,916 payable to the Local Government Pension Fund, a balance of Rs.2,800,140 being Pre-payments (Key Money) and a balance of Works Creditors payable amounting to Rs 8,492,684 relevant to the period from years 2010 to 2013 were included in that.
- (c) While there were about 90 beef stalls and fish stalls deposits amounting to Rs. 828,989 which were being brought forward over a period between 02 10 years as at the end of the year under review, action had not been taken to settle those balances.

1.3.4 Lack of Evidence for Audit

A detailed examination could not be made with regard to transactions totaling Rs.2,474,870 due to non-submission of required information to audit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, operational surplus of the Sabha for the year ended 31 December 2014 had been Rs.3,601,130 as compared with the corresponding surplus amounted to Rs. 9,170,998 in the preceding year indicating a down fall of Rs.5,569,868 in the financial results. When Capital Grants of Rs.26,225,973 and Capital Expenditure of Rs.19,917,450 are adjusted to this operational result, financial result relevant to the year under review was a surplus of Rs.9,909,653.

2.2 Analytical Financial Review

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.57,438,412 relevant to the year under review, a sum of Rs. 40,833,173 as 71 per cent approximately, were revenue not falling under a nature generated in the Sabha such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, the entire Capital Revenue of Rs. 26,225,973 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
- (b) Out of the total Recurrent Expenditure of Rs. 53,837,282 relevant to the year under review, a sum of Rs. 30,627,606 as 57 per cent approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 25,294,970 as 82 per cent approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Other Revenue. Similarly, out of the Capital Expenditure of Rs. 19,917,450, a sum of Rs. 11,783,600 as 59 per cent approximately had been funds received development activities performed on the basis of provisions of sources such as Provincial Criteria Base, and From Door to Door.

2.3 Revenue Administration

2.3.1 Rates

While there were Arrears of Rates amounting to Rs. 1,571,604 as at the end of the year under review, it was about 63 per cent of the annual billing. Although there were about 1964 Rates Units, Notices of Arrears had been sent to only 271 units during the year 2014. Red Notices had been sent to only 88 units out of those.

2.3.2 Lease Rent

While it had not been able to lease out 02 meat stalls and 02 fish stalls subject to a minimum bid of Rs. 239,400 during the year under review, there were balances in arrears amounting to Rs.575,416 too in respect of 04 assets as at the end of the year under review. A penalty charge Rs.5,460 for the delay in respect of 02 assets leased out during the year 2014 had not been recovered as well.

2.3.3 Court Fines and Stamp Fees

Court Fines amounting to Rs. 1,334,084 and Stamp Fees Revenue amounting to Rs.10,657,404 were receivable from the Chief Secretary to the to the Provincial Council as at end of the year under review.

2.3.4 Prepayment Money

Following matters are observed with regard to providing Bus Stand Stalls on the basis of lump sum payments.

- (a) While total of lump sum bids of 18 stalls in the down floor of the Bus Stand tendered during the year 2009 had been Rs. 9,562,000, out of those tenders for 17 stalls totalling to Rs. 8,850,000 as minimum bids had been accepted. Although it had been informed according to the letter of acceptance of tenders, that 40 per cent of the tendered amount should be paid at first and the balance 60 per cent should be paid within 05 months and finalize payments, there were no evidence that written agreements were entered into with the relevant parties in this connection.
- (b) Any amount had not been received for the stalls No. 03, 06 and 15 tendered for a sum of Rs. 1,923,000 as per letter agreed with the lessee on 27 .07 2009.
- (c) Although the lump sum money (Key Money) should be paid within 05 months and finalized according to tender conditions, even after expiry of more than 05 years, as at 31 December 2014 a sum of Rs. 1,417,690 as lump sum money was outstanding to be recovered in respect of stalls numbered 1,7,8,10, 11, 12, 14, 16, and 17.
- (d) Although 12 stalls in the upper floor of the Bus Stand had been tendered during the year 2009, even a single stall had not been taken on lease. During July 2012, these stalls had been retendered again for leasing out for a minimum bid of Rs.7,000,000 while 50 per cent of the tendered amount should be paid within 21 days and the balance should be paid within 90 days and finalized according to tender conditions, although a period of more than 02 years have elapsed after

calling for tenders, Lump Sum payments totalling Rs. 2,270,750 in respect 06 stalls were outstanding to be recovered even as at 31 December 2014.

3. Operating Review

3.1 Improper Transactions

- (a) Electrical Equipment valued at Rs. 692,790 had been purchased in three instances for the year 2014 based on only three quotations, contrary to Guideline 2.14.1 of the Code of Government Procurement Guidelines.
- (b) While the Motor Grader of the Sabha and 10 Motor Graders obtained from outside had been engaged for the “One Job for one Village” Program during August to December 2014, according to the Fuel Registers 18,838 fuel liters had been provided for these machines by the Sabha. However, adequate information relating to the extent of work done using those machines was not submitted and due to that it was not possible to get a sufficient authentication with regard to the expenditure incurred more than Rs.2,200,000 on account of fuel.

3.2 Contracts Administration

3.2.1 “From Door to Door – From Village to Village” 2014 – Programme

A sum of Rs. 15,000,000 had been allocated for development of 36 roads in the area of authority of the Sabha under the “From Door to Door – From Village to Village” Programme – 2014.

- (i) Only 8 Works valued at Rs. 4,050,000, being about 27 per cent of the amount provided had been completed as at 20 March 2015, date of audit. Although 04 Works being about 15 per cent of the amount provided had been commenced, 24 Works valued at Rs. 8,750,000 being about 58 per cent of the amount provided had not been accomplished.
- (ii) Agreements had been signed with an Agrarian Organization on 21 December 2014 for Development Work of the Bandaranayke Avenue on the basis of provisions amounting to Rs. 1,000,000. Although a payment report had been prepared on 29 December 2014 for first and second parts of the work, any progress had not been reported from that date onward. At the physical inspection carried out on 20 March 2015, it was observed that the relevant road had not been completed although the agreement period had been over as at 20 March 2015 and that spreading ABC Mixture only had been done.

3.2.2 One Job for One Village Programme – 2014

A sum of Rs. 47,123,500 had been allocated for Kotawehera, Nikaweratiya and Rasnayakepura Divisional Secretary Divisions under the One Job for One Village Programme.

Funds had been allocated for each Grama Seva Division having estimated to motor grade 727 roads relevant to 78 Grama Niladhari Divisions in each Divisional Secretary Division. While the files relevant to those Works had not been properly maintained, extent of works completed, number Motor Grade hours utilized and information relating to payments were not submitted to audit.

4. 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.) Revenue Administration
- (d.) Contracts Administration