

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 the Audit on 02 May 2016 and the financial statements for the preceding year had been presented to the Audit on 13 May 2015. The Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 25 November 2017.

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 2015 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 Accounting Deficiencies

The following accounting deficiencies were observed during the course of audit.

- (a) The value of the Crematorium situated in the Ratalanka Watta land, Mapalana had been understated by a sum of Rs.10,129,355 in the financial statements.
- (b) The sum of Rs.3,000,000 received in respect of the preceding year under the Pradeshiya Sabhas Strengthening Programme had been brought to account under the Capital Grants received during the year under review. As such the Capital Revenue for the year had been overstated by a similar amount.
- (c) The value of two motor vehicles costing Rs.8,682,856 received during the year under review from the Ministry of Local Government and Provincial Councils had not been capitalized whilst the cost of the Tipper Vehicle received in the preceding year had been overstated by a sum of Rs.2,490,398.

1.3.2 Suspense Account

Action had not been taken even during the year under review for the settlement of the balance of the Suspense Account amounting to Rs.1,168,845 brought forward in the financial statements from the preceding years.

1.3.3 Unreconciled Control Accounts

Differences totalling Rs.51,603,563 were observed between the balances relating to 07 items of account included in the financial statements and the balances shown in the schedules relating thereto.

1.3.4 Accounts Receivable and Payable

The following matters were observed.

- (a) The sundry debtors balance as at the end of the year under review totalling Rs.39,782,816 included 28 balances older than 03 years totalling Rs.20,363,959.
- (b) The creditors balance as at the end of the year under review totalling Rs.38,581,007 included 33 balances older than 03 years totalling Rs.8,538,300.
- (c) The deposit balance as at the end of the year under review amounting to Rs.4,443,779 included 55 balances older than 03 years totalling Rs.2,353,241.
- (d) Action had not been taken even during the year under review for the settlement of the balance of the Advances Receivable Account amounting to Rs.431,339 brought forward in the financial statements over and over again without taking steps for the settlement.

1.3.5 Lack of Evidence for Audit

In view of the failure to produce documents such as the Register of Fixed Assets maintained properly and in updated manner and the Annual Board of Survey Reports in respect of the fixed assets totalling Rs.80,826,154 , the schedules in respect of revenue receivable totalling Rs.9,166,795 and the schedules and the subsidiary registers in respect of the Sundry Debtors (works) balances and Advances receivable totalling Rs.29,690,846 , sundry creditors balances totalling Rs.22,472,927 and the deposit balances totalling Rs.1,955,056 , those could not be satisfactorily examined in audit.

1.3.6 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance as described below were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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Pradeshiya Sabha (Financial Administrative) Rules 1988	

(i) Rule 33	The list of defaulters of the Assessment Tax and the list of Distraing Warrants had not been prepared.
(ii) Rule 193	A statement of excess or saving under an item of expenditure as compared with the budget and the supplementary votes, together with an explanation on the cause of the excess or unexpended balance had not been presented with the accounts.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.7,129,576 as against the excess of recurrent expenditure over revenue amounting to Rs.3,221,528 for the preceding year. Accordingly, an improvement of Rs.10,351,104 in the financial results of the year under review was indicated.

2.2 Analytical Financial Review

- (a) Even though a decrease of 21 per cent in the expenditure was indicated in the comparison of the position of the year under review with that the preceding year, the expenditure as compared with the revenue had been at a high level due to the existence of recurrent expenditure representing 87 per cent of the total recurrent revenue.
- (b) A Summarized Statement of the total Recurrent Revenue, the Self-generated Revenue, Revenue Grants as well as the total Recurrent Expenditure of the Sabha for the year under review and the two preceding years is given below.

Year	Total Recurrent Revenue	Revenue Grants	Self- generated Revenue	Total Recurrent Expenditure	Recurrent Expenditure exceeding the Self- generated Revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	56,021,890	29,743,730	26,278,160	48,892,314	(22,614,154)
2014	40,099,250	18,336,803	21,762,447	43,320,779	(21,558,332)
2013	35,491,166	10,889,390	24,601,726	29,074,220	(4,472,444)

The following observations are made in this connection.

- (i) The Revenue Grants of the Sabha for the year under review and the two preceding years had improved whilst the self-generated revenue for the year under review as compared with the preceding year had increased.
- (ii) Even though the recurrent expenditure of every year had increased continuously at a fast pace, the attention of the Sabha had not been paid for controlling that position.
- (iii) The recurrent expenditure of all three years had increased by considerable amounts at a fast pace, exceeding the self-generated revenue.
- (iv) If Revenue Grants are not received, a situation in which it would not be possible in any manner whatsoever to cover the recurrent expenditure from the self-generated revenue of the Sabha was indicated.

- (v) In view of the matters shown in paragraphs Nos. (i) to (iv) above, it is observed that the attention of the Sabha should be paid for increasing the revenue position, and that a format course of action for that purpose should be prepared and implemented, and if such action is not taken, it would create problems relating to the financial position of the Sabha due to the weak financial management prevailing in the Sabha, thereby causing adverse impacts on the going concern of the Sabha.

2.3 Revenue Administration

2.3.1 Assessment Tax

The following observations are made.

(a) Assessment

The total amount recoverable including the opening outstanding balance of the year under review and the billings amounted to Rs.1,139,895 whilst 19 per cent of the outstanding balance and 54 per cent of the billings only had been recovered during the year. Action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of the Assessment Tax.

(b) Acreage Tax

Even though the sum of Rs.305,927 including the outstanding balance at the beginning of the year under review and the billings of the year remained recoverable, 0.2 per cent of the outstanding balance and 2 per cent of the billings only had been recovered during the year. Action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of the Acreage Tax.

2.3.2 Rent Revenue

Out of the opening outstanding balance of Rs.1,202,383 only 29 per cent had been recovered and adequate courses of action had not been taken for the recovery of the arrears.

2.3.3 Licence Fees

Out of the opening outstanding balance of Rs.81,895 , only 03 per cent had been recovered. Even though arrears of rent of 417 trade stalls amounting to Rs.1,340,223 remained recoverable, adequate steps had not been taken either for the renewal of the lease agreements or for the recovery of the arrears.

2.3.4 Water Rates

Even though the Sabha had spent a sum of Rs.4,507,725 during the year on the maintenance work of 06 Water Projects adequate steps had not been taken for recovery of Water Rates as only Rs.1,700,828 out of the opening outstanding balance and Rs.3,321,054 out of the billings had been recovered.

2.3.5 Courts Fines and Stamp Duty

Stamp Duty amounting to Rs.8,087,730 and Courts Fines amounting to Rs.695,040 remained recoverable as at 31 December 2015 from the Chief Secretary of the Provincial Council and the other Authorities.

3. Operating Review

3.1 Performance Evaluation

Progress of Execution of Capital Work Proposals

Even though the estimated capital expenditure of the year under review amounted to Rs.88,060,802 , the actual capital expenditure amounted to Rs.15,636,688 , thus resulting in savings of Rs.72,424,114 and that represented 83 per cent of the estimated amount. As such a retrogressive position with regard to the utilization of funds allocated for development for their objectives was indicated.

3.2 Management Inefficiencies

Human Resources Management

Even though 38 persons exceeding the number approved in the Cadre Plan had been recruited and salaries and allowances paid, action had not been taken for formalizing those posts whilst no action had been taken for filling 05 vacancies that existed in the approved posts.

4. Good Governance and Accountability

4.1 Budgetary Control

Non-achievement of the targeted revenue of 02 items of revenue amounting to Rs.706,912 , an unauthorized excess of Rs.9,584,720 in the approved limit of one item of expenditure and savings amounting to Rs.25,892,891 in 07 items of expenditure existed in the year under review and as such the budget had not been made use of as an effective instrument of management control.

4.2 Internal Audit

An adequate internal audit had not been carried out in terms of the provisions in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. දපපා/යන/01/නවලේ dated 24 February 2014 of the Commissioner of Local Government of the Southern Province.

4.3 Audit and Management Committee

Action in terms of the Management Audit Circular No. DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

4.4 Assets Management

The following observations are made.

(a) Idle and Underutilized Assets

- (i) Four motor vehicles belonging to the Sabha had not been used for running during the year whilst the Road Roller had run only 30 kilometres. As such those vehicles had been idling.
- (ii) The Crematorium at Ratalanka Watta land Kamburupitiya constructed at a cost of Rs.13,139,552 in the year 2015 had not been opened even by July 2016. As such its objectives had not been achieved.
- (iii) Action in terms of the Public Finance Circular No. 02/2015 dated 10 July 2015 had not been taken on 05 motor vehicles of the Sabha in condemned condition.

(b) Assets not Vested

Action had not been taken for the transfer of ownership in favour of the Sabha of the Double Cab motor vehicle, Truck with water bowser, Tipper and Road Roller received in the preceding year and the year under review from the Ministry of Local Government.

5. Systems and Controls

Special attention of the Sabha is drawn to the following areas of systems and controls.

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