

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 29 March 2016 while Financial Statements relating to the preceding year had been submitted on 18 May 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 07 September 2016.

1.2 Qualified 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 2015 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 Deficiencies

Following accounting deficiencies are observed.

- (a) A sum of Rs. 27,698 including over recovered loans according to the staff loans register 16 payable balances at the end of the year under review had not been shown under Creditors.
- (b) While deeds had not been obtained legally for 16 plots of lands belong to the Sabha included in the Fixed Assets Register, value of those had not been assessed and accounted.
- (c) Library Books valued at Rs.250,000 purchased during the year under review had not been accounted.
- (d) While Tender Deposits amounted to Rs. 2,130,613 according to the financial statements for the year under review, value of Tender Deposits according to schedules had been Rs. 4,582,760, understating a sum of Rs. 2,452,147 in the accounts.

1.3.2 Non-reconciled Control Accounts

Non-reconciliations in a sum of Rs. 4,819,873 were observed between the balances according to financial statements and the balances in the relevant subsidiary registers relating to 04 items of accounts at the year under review.

1.3.3 Accounts Receivable

Following matters are observed.

- (a) While the value of Accounts Receivable as at the end of the year under review was Rs. 48,991,062, out of that a sum of Rs. 1,868,418 were balances remaining un-recovered for more than 03 years.
- (b) Sums of Rs. 92,427, Rs. 47,303 and Rs. 8,213,907 totaling as Rs. 8,353,637 relevant to years 2011, 2012 and 2014 respectively included in the Works Debtors were due to be received even at the end of the year under review.

1.3.4 Accounts Payable

Following matters are observed.

- (i) While the value of Accounts Payable as at the end of the year under review was Rs. 38,887,432, age analysis relevant to a sum of Rs. 9,132,733 was not submitted to audit. According to information furnished there were balances remaining unsettled amounting to Rs. 2,018,917 for more than 03 years.
- (ii) While there were 13 balances amounting to Rs. 1,321,710 under Sundry Deposits at the end of the year under review, there were 03 balances totaling Rs.179,154 relevant to the year 2012, , 04 balances totaling Rs. 4,838 relevant to the year 2014 and 03 balances totaling Rs. 288,929.relevant to the year 2014. Accordingly, a totaled sum of Rs. 472,021 had remained un-settled during a period from 01 to 04 years.
- (iii) While the Work Creditors balance at the end of the year under review amounted to Rs. 17,432,981, there was sum of Rs.3,169,878 relevant to the year 2013 and a sum of Rs. 4,723,897 relevant to the year 2014 totaling as Rs. 7,893,775.
- (iv) While there was balance of Rs. 4,582,760 as Tender Deposits not released to those submitted tenders, there were 166 balances amounting to Rs. 1,699,580 not settled during a period between 01 and 11 years.

1.3.5 Lack of Evidence for Audit

The Register of Deposits or a schedule had not been submitted to confirm the balance of Rs. 6,078,815 in the Works Deposits Account for the year under review.

1.3.6 Non-compliance with Laws, Rules and Regulations etc.

Reference to Laws, Rules Regulations etc.	Non-compliance
(a) Financial regulations 396 (d) of the Republic of Sri Lanka	Action had not been taken with regard to 08 cheques valued at Rs. 143,670 which had elapsed a period exceeding 06 months from the date of issue.
(b) Clause 2.14.1 of the Procurement Guidelines of 2006	Although goods not exceeding Rs. 250,000 could be obtained on the basis of 03 quotations obtained by hand, goods valued at Rs. 1,140,000 having obtained 3 quotations only and goods valued at Rs. 1,210,944 without calling for quotations had been purchased.
(c) Clause 8.9.3 of the Procurement Guidelines of 2006	Although a proper contract agreement should be entered into when purchasing goods and services exceeding Rs. 500,000, Sabha had not entered into such an agreement for purchases made amounting to Rs. 1,140,000.

02 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 2015 had been Rs 9,437,308 as compared with the corresponding t excess of revenue over recurrent expenditure for the preceding year amounted to Rs.3,601,130 indicating an improvement of Rs. 5,836,178 in the financial result. After adjustment of the Capital Grant amounting Rs. 5,982,800 and Capital Expenditure amounting to Rs. 26,533,359 to this financial result, financial result relevant to the year under review had become a deficit of Rs. 11,113,251.

2.2 Analytical Financial Review

Following matters are observed.

(a) Actual revenue and expenditure relevant to the year under review and the preceding year and relevant variations are shown below.

Source of Revenue	Revenue			Expenditure Item	Expenditure		
	2015	2014	Variance		2015	2014	Variance
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	18,981	16,,605	2,376	Personal Emoluments	44,704	30,828	14,076
(ii) Others	<u>60,393</u>	<u>40,833</u>	<u>19,560</u>	Others	<u>25,234</u>	<u>23,209</u>	<u>2,025</u>
Sub total	79,374	57,438	21,936	Sub total	69,,938	53,837	16,101
(iii) Capital Grant	5,983	26,226	(20,243)	Capital Expenditure	<u>26,533</u>	<u>19,917</u>	6,616
Grand Total	<u>85,357</u>	<u>83,664</u>	<u>1,693</u>	Grand Total	<u>96,471</u>	<u>73,754</u>	<u>22,717</u>
Financial Result	9,437	3,601	5,836	Surplus/ Deficit	(11,114)	9,910	(1,204)

(b) While the total Recurrent Revenue of the Sabha relevant to the year under review was Rs. 79,375,000, out of that, a sum of Rs.60,393,442 or 76 per cent was revenue not falling under a nature generated in the Sabha and were receipts such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, the entire capital revenue of Rs. 5,982,800, was consist of funds provided for development works in the area of authority of the Sabha through other institutions such as sources from Gama Neguma and Maga Neguma.

(c) Out of the total Recurrent Expenditure of Rs. 69,937,692 relevant to the year under review, a sum of Rs. 44,703,838 or approximately 64 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 40,607,184 or 91 per cent had been received from the Commissioner of Local Government as salary reimbursements while, that value had been accounted under other revenue. Similarly, out of the capital expenditure of Rs. 26,533,359, a sum of Rs. 8,058,792 only or 30 percent had been spent out of the Sabha Fund, while the balance sum of Rs. 18,474,567 or 70 percent were consist of development activities on the basis provisions of other institutions such as sources from Gama Neguma and Maga Neguma.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review and the preceding year were as shown below.

Item of Revenue	2015			2014		
	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs. 000	Rs. 000	Rs. 000
(i) Rates and Taxes	3,244	2,565	1,743	2,923	3,271	1,574
(ii) Lease Rent	10,520	11,970	12,389	8,491	10,475	412
(iii) License Fees	1,162	994	--	450	1,069	--
(iv) Other Revenue	65,235	47,914	21,208	56,386	42,622	19,721
Total	80,161	62,843	35,340	68,250	7,437	21,707

2.3.2 Revenue Billed and Arrears of Revenue

Particulars are shown below.

Item of Revenue	Item of Revenue 31/12/2015			Collection of Revenue			Balance of Arrears		
	Arrears as at 01.01.2015	Billings during the year	Total	Collection From arrears up to 01.01.2015	Collection From billing	total	Out of Arrears as at 01.01.2015	Out of Billing	Total Arrears as at 31.12.2015
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs. 000	Rs.000	Rs.000
Rates and Taxes	1,574	3,285	4,859	549	2,565	3,114	1,023	720	1,743
Lease Rent	---	994	994	--	994	994	--	301	12,389
License Fees	21,055	63,425	84,480	15,358	47,914	63,272	5,697	15,511	21,208
Others	---	---	---	---	---	---	---	---	---
Total	35,797	79,375	115,172	16,987	62,843	79,831	18,808	16,532	35,340

2.3.3 Rates and Taxes

- (a) While there was balance of Rates Revenue amounting to Rs. 1,573,577 at the beginning of the year under review, a sum of Rs. 550,058 or 35 percent out of that had been received during the year, indicating a balance of arrears amounting to Rs. 1,023,519. An age analysis was not submitted with the accounts in that connection.

- (b) While a sum of Rs. 2,565,279 or 78 percent had been recovered out of the annual billings amounted to Rs.3,284,910, a sum of Rs.719,631 was in arrears relevant to the year

2.3.4 Bus Stand Stalls Rent

- (a) Five Stalls in Nikaweratiya Bus Stand to be given on prepayment basis at a minimum bid of Rs. 711,000 had not been given by calling for tenders during the year under review.

- (b) According to the conditions in giving Nikaweratiya Bus Stand stalls on prepayment basis, prepayment money should be paid within 05 months. However, out of the tender amount of Rs. 2,083,200 relevant to 03 stalls, any payment had not been received even after expiry of more than 06 years, while part payments of Rs. 340,300 relevant to another 02 stalls were in arrears.

- (c) According to the conditions in giving Bus Stand stalls on prepayment basis, 50 percent of the amount of the tender should be paid within 21 days and the balance should be paid within 90 days and finalized. However, lump sum payments totaling Rs1,889,250 for five stalls had been in arrears even after the expiry of more than 03 years.

- (d) Although electricity bills amounting to Rs. 154,237 of 12 stalls in the Bus Stand ground floor and a stall in the upper floor should be paid by the relevant lessees, action had not been taken to include clauses relevant to that in the agreements. Due to that, electricity bills had to be paid out of the Sabha funds.

- (e) Lease money of the tender due from 08 stalls in Nikaweratiya bus stand remaining unrecovered during a period from 06 months to 06 years amounted to Rs. 2,672,550.

- (f) Entire amount of lease money of the tender amounting to Rs. 2,083,200 payable by the parties who got the lease of three stalls in the ground floor of the Nikaweratiya bus stand through tenders prior to the year 2009 had been in arrears as at the end of the year under review.

2.3.5 Lease Rent

Following matters are observed.

- (a) Out of opening balance of Rent Revenue in arrears amounting to Rs. 13,168,493 of the year under review, while sum of Rs. 1,080,445 or 8 percent only had been recovered, a sum of Rs. 12,088,048 or 92 percent was outstanding to be recovered further.
- (b) The value of the lease of 14 stalls in Nikaweratiya Health Centre taken by lessees through tenders remained unrecovered during a period from 01 to 04 years amounted to Rs. 7,109,600 .
- (c) Although 50 percent of the accepted bid should be paid within 30 days of the receipts of the letter of acceptance of the bid and balance should be paid within 90 days at once or as part payments according to tender conditions for leasing out stalls in the Nikaweratiya Clinic Centre, while any amount of the tender amount of Rs. 759,900 had not been paid for 02 stalls within the tender period, a sum of Rs. 5,689,800 was in arrears out of tender amount of Rs.8,786,100 relevant to tender amount for another 11 stalls.

2..3.6 Other Revenue

Following matters are observed.

- (a) Although the number of three wheeler parks belong to the Sabha had not been identified through a survey, a sum of Rs. 57,600 should have been recovered at the rate of Rs. 400 per vehicle from 144 three wheeler vehicles registered relevant to 4 parks. However, a sum of Rs. 20,800 only had been recovered at the end of the year under review. Accordingly, the balance in arrear had been Rs. 36,800.
- (b) While a sum of Rs. 15,358,000 out of the balance of Other Revenue amounting to Rs. 21,055,000 had been recovered during the year under review, a sum of Rs. 5,696,444 or 27 percent was in arrears at the end of the year. An age analysis of the arrears had not been submitted together with the accounts.
- (c) The number of Telephone Transmission Towers in the area of authority of the Sabha had not been identified and recorded. Although a request was made to provide a report to the audit with regard to the number of towers installed, that report had not been made available. While information connected with transmission towers were not available with the Revenue Inspector as well, at the physical inspection carried out in audit on 21 January 2016, about 06 transmission towers were served. Information such as location, name of the company, dated of erection etc., could not be collected.

- (d) Processing Charges, Charges for issue of Certificates of Conformity and Charges to be recovered with regard to un-authorized constructions relevant to telephone communication towers erected in terms of Extra Ordinary Gazette Notification No. 1597/8-2009 dated 17 April 2009 of the Republic of Sri Lanka had not been recovered.

2.3.7 Court Fines

Although Court Fines amounting to Rs. 7,485,792 had been estimated during the year under review, out of that a sum of Rs. 4,427,917 or 59 percent of that had been recovered. A further sum of Rs. 3,057,875 was in arrears.

2.3.7 Stamp Fees

While Stamp Fees Revenue at the beginning of the year under view amounted to Rs. 15,118,530, out of that a sum of Rs. 9,422,086 or 62 percent had been recovered during the year. Out of that Rs. 5,696,444 relevant to the years 2013 and 2014 were outstanding to be recovered further. The full billings for the year amounting to Rs. 8,356,563 were in arrears at the end of the year as well.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) While there was a sum of Rs. 1,530,605 as unsettled work advances at the end of the year under review, there was a balance of Rs. 949,760 relevant to the year 2014.
- (b) Although the credit balance of the Works Account as at 10 March of the year under review was Rs. 136,225, an overdraft of Rs. 487,940 had arisen due to issue of two cheques valued at Rs. 624,165.
- (c) There were 05 staff loan balances amounting to Rs. 26,444 not being recovered during a period from 04 – 11 years, as at end of the year under review.
- (d) While suppliers had not been registered for procurement of goods and services during the year under review, a newspaper advertisement too had not been published for this.
- (e) Although agreements had been signed between livestock beneficiaries and the Sabha, any information had not been given in that agreement for identification of the livestock provided to the beneficiary.

3.2 Un-economic Transactions

Following matters are observed.

- (a) Although the Ratnayakepura Weekly Fair Ground constructed having spent a sum of Rs. 804,098 was opened on 01 September 2011, it had been kept closed up to the year under review without being utilized for the relevant objectives.
- (b) While a Backhoe Machine of MS – 150 Type had been obtained on the basis of making payment of Rs. 5,000 per machine hour for closing the garbage plunged pit in the Thimbiriyagama area, a sum of Rs. 90,000 had been paid at the rate of Rs. 7,500 for 15 hours without an estimate or work done report of the technical officers.

3.3 Contracts Administration

Following matters were revealed at the physical inspection carried out on 27 January 2016.

- (a) Although a sum of Rs. 20,428 had been paid for fixing outlining for the retain walls on the two sides under work item 2 of the development work of Gallewa, Meeminikona Road under Provincial Criteria Based Development Grants, jotting out to the front side and sinking down of the construction work were observed. it was required to supply pre-fabricated concrete blocks, spread stone dust to a thickness of 50mm, under Head No.04 (Rs.212,590)lay the stones on uniformed basis with a spacing of 2.5mm/5mm, filled the space with stone dust, compound and level, under work items 04 for Rs. 212,590, there were empty spacing due to lack of stone dust.
- (b) Out of the 21 Works completed utilizing Sabha Funds during the year 2015, 12 Works or 57 percent were works relating putting gravel to the roads, while a sum of Rs. 3,104,632 had been spent for that. At the physical inspection it was observed that most of the roads in the area were natural gravel roads, while the roads shown to audit by the Technical Officer as the roads laid with gravel were roads with pits. Accordingly, it was observed that spreading gravel to roads had been a fruitless Expenditure.

04. Accountability and Good Governess

4.1 Assets Management

Although 04 years had elapsed by the year 2011 after completion of the Nikaweatiya Clinic Centre valued at Rs. 61, 099,770 constructed under Asian Development Loans assistance, it had not been utilized for the relevant objective.

05. Systems and Controls

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

- (a) Accounting.
- (b) Revenue Administration
- (c) Assets Management
- (d) Contracts control

