

Kuliyapitiya 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 03 April 2017 while Financial Statements relating to the preceding year had been submitted on 18 March 2016. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 04 August 2017.

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 Kuliyapitiya Pradeshiya Sabha as at 31 December 2016 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

The following accounting deficiencies are observed

- (a) The value of Rs.1,625,000 of the Tafe Tractor had not been shown under fixed assets.
- (b) The value of the Tractor received on 08 February 2013 had not been assessed and brought to account.
- (c) The value of Forton Crue Cab vehicle amounting to Rs.3,232,282 had been shown as Rs.3,200,000 in the financial statements.
- (d) An arrears of tender amounting to Rs.50,662 had been shown as the income receivable in the financial statements.

1.3.2 Non-reconciled Control Accounts

Non-reconciliations in a sum of Rs. 1,528,276 were observed between the balances relevant to 03 items of accounts at the end of the year under review and the balances in the corresponding subsidiary registers.

1.3.3 Accounts Receivable and Payable

The following matters were observed

(a) Accounts Receivable

While the value of Accounts receivable at 31 December 2016 was Rs. 185,516,718 out of that balances remained unrecovered during a period exceeding 01 year was Rs. 51,472,761.

(b) Accounts Payable

While the value of Accounts Payable as at 31 December 2016 was Rs. 39,260,810 out of that balances existed unsettled during a period exceeding 01 year was Rs. 2,859,330.

1.3.5 Lack of Evidence for Audit

The following matters are observed

(a) Even though values of 299 lands and buildings are mentioned in the Schedule of Lands and Buildings, as a result of only 174 lands with deeds had been mentioned in the Register of Fixed Assets, the deeds had not been obtained for 125 lands.

(b) As a result of non-submission of Confirmation of Balances relating to 04 Items of Accounts valued at Rs.7,246,880 and the schedules to the audit, those could not be examined satisfactorily.

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 2016 amounted to Rs.63,234,039 as compared with the excess of revenue over recurrent expenditure amounting to Rs.73,942,450 for the preceding year indicating a decrease of Rs.70,708,411 of the financial result.

2.2 Analytical Financial Review

Decrease of recurrent revenue by Rs.4,775,731 and increase of recurrent expenditure by Rs.708,332 had mainly affected to the decrease of the financial result.

2.3 **Revenue Administration**

2.3.1 **Performance for Collecting Revenue**

While the estimated revenue of the year under review amounted to Rs.89 million and the actual revenue amounted to Rs.158 million .The revenue receivable as at 31 December of the preceding year amounted to Rs.51 million and the revenue recoverable as at 31 December in the year under review amounted to Rs.185 million.

2.3.2 **Rates and Taxes**

The billings relevant to the year under review amounting to Rs.1,882,263 and out of that a sum of Rs.1,722,000 had been recovered during the year under review. Only Rs.227,000 had been recovered in the year under review from the arrears of rates and taxes amounting to Rs.581,000 remained as at 01 January 2016. The arrears of rates and taxes as at 31 December of the year under review amounted to Rs.476,361.

2.3.3 **Other Revenue**

Three balances within the other outstanding balances amounting to Rs.172,135 had been brought forwarded over a period of 05 years, the recovery of those money was at an uncertain condition.

2.3.4 **Court Fines and Stamp Fees**

The revenue of Court Fines and the revenue of Stamp Fees receivable as at the end of the year under review from the Chief Secretary to the Provincial Councils amounted to Rs.23,769,359 and Rs.103,303,026 respectively.

03. **Operating Review**

3.1 **Performance**

Provisions relating to 04 Items of Capital Objects amounting to Rs.1,150,000 had not been utilized and out of the provisions made for 06 items of Objects amounted to Rs.6,750,000 , only a sum of Rs.3,174,019 had been spent as at 31 December in the year under review. The progress ranged between 1 per cent to 63 per cent.

3.2 **Management Inefficiencies**

The following observations are made.

- (a) Even though the Roller No.DD 80 had been handed over to the Agency Institute on 31 May 2016 on an estimate of Rs.1,278,299 for the repairing, an agreement had not been entered into with the two parties in respect of the dates which the machine repaired and returned

back. The machine received on 17 January 2017 after the repairing done, had been again referred to the said Institute for the repairing in February 2017 due to a technical defect .

- (b) The water tanks under the water Project of the Godagama Community Based Organization had been constructed and the Project had been stopped half way and the Sabha had not taken action to supervise and activate the Project.

3.3 **Operating Inefficiencies**

The following matters are observed.

- (a) Selection of suppliers from the quotations obtained by the Sabha in the year 2015 for the purchase of concrete cubes required for the road maintenance activities had been done by the approval of the Management Committee instead of carrying out by a Procurement Committee. The purchase of concrete cubes by spending a Rs.626,930 for the year 2016 had also been carried out contrary to the Procurement Guidelines based on the quotations in the year 2015.
- (b) A stock of granites totaled Rs.5,870,539 had been purchased by the Sabha during the year from two suppliers and the relevant purchase had been carried out on the calling for bids in the year 2013 contrary to the Procurement procedure.

3.4 **Idle and Underutilized Assets**

The following matters were observed.

- (a) A stock of water equipment of Rs.76,212 purchased in the year 2010 for a Water Project had been remained idle in the stores of the Sabha for a period of six months and the construction of the relevant Water Project had been abandoned.
- (b) The 11 mobile multipurpose huts which were made out of Rexine cloths with 1.5 GI pipes of 10'x10'inches received as a donation on 26 July 2013 had become a condition of unusable due to the Rexine cloths were torn off .
- (c) Two hundred and sixteen chalk coils and 2 water motors used for the water bowser had been remained idle in the stores.

3.5 **Identified Losses**

Six garbage carts out of 08 garbage carts valued at Rs.224,974 shown in the Register of Motor Vehicles and Carts had not been physically available.

3.6 **Contract Administration**

The following observations are made.

- (a) The cement floor of the library building at Kitalawa which the repairing activities done on the estimated value of Rs.1,000,000 had been cracked at a length of 8 feet and 3 positions of the sill around the building had been cracked . Therefore , it was disclosed that the relevant work had not been done at a prescribed standard .
- (b) Even though a payment of Rs.37,657 had been made for applying polish for the floor twice, the finishing had not been at a suitable condition according to the physical examination.

3.7 **Solid Waste Management**

As a proper methodology had not been available for the dispose of garbage, the garbage had been disposed to the land called Alahitiyawatta. However, action is being taken to use the Methane Gas effectively in the future which is generated through the degradable garbage which collected daily by the Sabha and dropped into the Bio Gas Unit which is being constructed by December 2016.

04 **Systems and Controls**

Weaknesses in systems and controls revealed in audit were brought to the attention of the Pradeshiya Sabha from time to time. Special attention is needed in respect of the following areas of control.

	System -----	Observations -----
(a)	Accounting	The value of fixed assets had been shown erroneously in financial statements and the arrears of revenue understated in accounts.
(b)	Fixed Assets	Action had not been taken to obtain deeds for lands
(c)	Current Assets	Existence of Idle and underutilized stocks .
(d)	Accounts Receivable	Evidences had not been available for the other outstanding income.
(e)	Purchasing	Procurement Procedure had not been followed
(f)	Contract Administration	A proper supervision had not been carried out for Water Projects Deficiencies were existed in the repairing of buildings.