

Kuliyapitiya Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 14 May 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 18 September 2013.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Kuliyapitiya Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Income from court fines received in respect of the year amounted to Rs.18,615,579 and it had been taken to the financial statements as Rs.16,997,572 and therefore, income from court fines had been understated by Rs.1,618,007.
- (b.) Salary reimbursements receivable amounting to Rs.3,606,478 had not been taken into financial statements and as such, income from salary reimbursements and the balance of salary reimbursements receivable had been understated by Rs.3,606,478.
- (c.) According to the financial statements, the value of library books amounted to Rs.6,768,285 and according to the Board of Survey Reports on library books, the relevant value was Rs.6,175,089. Therefore, the balance of library books as at end of the year under review had been overstated by Rs.593,196.

(d.) According to the financial statements Value Added Tax payable amounted to Rs.314,946 and according to the registers no VAT is payable. Therefore, tax payable as at end of the year under review had been overstated by Rs.314,946.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.169,819,581 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.4,816,680 as compared with the excess of revenue over recurrent expenditure amounting to Rs.23,915,625 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	276	252	402
(ii.) Lease Rent	4,758	4,793	39
(iii.) Licence Fees	1,032	1,068	43
(iv.) Other Revenue	48,553	75,708	27,502

2.2.2 Court Fines and Stamp Fees

Court fines amounting to Rs.5,588,375 and stamp fees amounting to Rs.21,274,633 had been receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities.

2.3 Irregular Transactions

The Sabha had purchased a finger print machine from the Sri Lanka State Trading Corporation at Rs.82,310 on 04 April 2011 and the purchase had not been made under a proper tender procedure at the lowest price by calling for tenders through publishing a newspaper advertisement. The machine had been out-of order since 30 June 2011 and the Sabha had not made a request to the supplier to get repair the machine, even though the supplier had given a one year guarantee period.

2.4 Assets Management

The value of land and buildings, motor vehicles and machinery which had not been supported by physical verifications/ Board of Survey Reports; but computed on book value as at 31 December 2012 amounted to Rs.88,619,214. Although furniture and fittings and stocks had been verified they had not been valued. According to the financial statements the value of those assets amounted to Rs.4,677,476.

2.5 Human Resources Management

The approved cadre of the Sabha is 94 and the actual cadre was 84 and the number of vacancies was 10. These vacancies included 03 out of 04 Technical Officers posts, 01 out of 04 Revenue Controller posts and 06 of 09 Librarian posts. In addition 09 employees had been recruited on casual and substitute basis and salaries had been paid from the Sabha funds.

2.6 Legal Matters Initiated by the Sabha or Against the Sabha

(a.) Wewagama Meda Para Road had been widened ignoring the objections of the land owners and the party victim had filed a case against the Sabha on 30 November 2010 to recover the damage of Rs.100,000 suffered by the party

placing the Sabha as the first respondent. The Sabha had paid lawyers' fees amounting to Rs.21,500 for 15 sittings up to the end of the year under review.

- (b.) Information on court cases relating to the Sabha could not be ascertained in audit as a formal register of court cases was not submitted to audit.

2.7 Operating Inefficiencies

- (a.) Contribution payable to the Local Government Pensions Fund had not been duly paid and the balance to the said Fund as at end of the year under review amounted to Rs.1,452,460. The said Fund recovers a monthly instalment of Rs.19,501 in respect of the Sabha, but the Sabha is not aware for which employees the recoveries are related to.
- (b.) The Sabha had not prepared a corporate plan and an action plan and get the approval of the Sabha.
- (c.) Additional provisions had not been obtained through transferring from votes or supplementary estimates for excesses amounting to Rs.69,961,000 under 03 items of expenditure.
- (d.) The Sabha had incurred a cost of Rs.81,726,542 for the maintenance of roads and ways about 31km and maintenance expenses incurred during the year on cemeteries, drainage systems, children's parks had not been classified.
- (e.) 19 capital projects valued at Rs.6,300,000 and 12 welfare projects valued at Rs.1,678,000 expected to be implemented by the Sabha had not been carried out during the year under review.

2.8 Solid Waste Management

Out of the waste collected within the area of the Sabha, the carbonic waste had been delivered to the Solid Waste Centre of the Kuliyaipitiya Urban Council for producing Compost. The rest of the waste had been disposed of by dumping to pits in 03 private lands without being sorted out.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Human Resources Management