

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 for audit on 10 August 2011 and the financial statements for the preceding year had been presented on 31 March 2010.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Kamburupitiya Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kamburupitiya Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1;3:1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Even though the balances of the Fixed Assets Account and the Revenue Contribution to Capital Outlay Account should be equal, a difference of Rs.15,758,329 between those two balances was observed.
- (b) The backhoe machine valued at Rs.1,200,000 in the year 2009 had not been brought to account.
- (c) Interest on staff security deposits amounting to Rs.27,426 had not been brought to account.

- (d) Even though it was stated that the respective accounts had been debited and credited through the following journal entries, those had not been recorded in the General Ledger.

| Journal Entry Number | Accounts | Ledger Page | Debit | Credit |
|----------------------|-----------------------|-------------|-----------|-----------|
| ----- | ----- | ----- | ----- | ----- |
| | | | Rs. | Rs. |
| 05 | Stamp Fees Receivable | 30 | 3,438,822 | -- |
| | Stamp Fees Account | | -- | 3,438,822 |
| 08 | Capital Expenditure | | 83,145 | -- |
| 09 | Arrears of Lease Rent | 07 | 1,440,175 | -- |

- (e) Instead of debiting the Court Fines Account by a sum of Rs.204,508 through journal entry No. 06 for making provision for Courts Fines in respect of the year under review, that account had been credited. In addition, the amounts debited and credited among the Sundry Debtors Account and the Capital Accounts had not been shown in making provision for debtors for the year under review, though the journal entry No. 13.
- (f) In recording the opening balances of the ledger for the year under review, the opening balances had not been recorded through journal entries.

1:3:2 Unreconciled Control Accounts

The balances of 10 items of account according to the financial statements amounted to Rs.75,027,961 whereas according to the subsidiary registers and the information made available to audit, those balances totalled Rs.67,060,653. Thus a difference of Rs.7,967,308 was observed.

1:3:3 Suspense Accounts

The unsettled credit balance of the Suspense Account as at the end of the year under review amounted to Rs.1,283,140.

1:3:4 Accounts Payable

The value of the balances of Accounts Payable older than 01 year as at 31 December 2010 amounted to Rs.1,560,675.

1:3:5 Lack of Evidence for Audit

Non-submission of Information to Audit

The balances of 13 items of account valued at Rs.65,821,668 could not be satisfactorily vouched or accepted in audit due to the unavailability of the Registers of Fixed Assets, Board of Survey Reports, schedules, age analysis, confirmation of balances, etc.

1:3:6 Non-compliances

Non-compliances with the provisions in the following laws, rules and regulations and the management decisions were observed during the course of audit.

| Reference to Laws, Rules, Regulations, etc. | Non-compliance |
|--|---|
| (a) Prdeshiya Sabha (Financial and Administration) Rules 1988. | |
| (i) Rule 17 | A Register of Counterfoil Books had not been maintained in Form P.S. 21. |
| (ii) Rule 145 | A detailed statement including the amounts under each category of deposits had not been prepared at the end of each year. |
| (iii) Rules 217 and 218 | The Board of Survey Reports had not been furnished to the Auditor General. |
| (b) Financial Regulations of the Republic of Sri Lanka | |
| (i) Financial Regulation 396 | Action in terms of the Financial Regulation had not been taken on 03 cheques valued at Rs.1,598 lapsed for more than 06 months |
| (ii) Financial Regulation 507 | A physical verification of the stocks in hand had not been conducted as at the last date of the year for inclusive of the value of the stock in hand. |
| (c) Public Administration Circular No. 08/2005 of 13 March 2005 Paragraph 11.5 | The difference of Rs.344,098 between the 4 |

per cent interest recovered on the property loans granted to 03 officers and the Bank interest had not been recovered as a reimbursement.

- (d) Circular No. 1A1/2002/02 of 28 November 2002 of the Secretary to the Treasury.

Even though a Register of Fixed Assets should be maintained for computer accessories and software, it had not been done in connection with 02 computers.

2 Financial and Operating 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 2010 amounted to Rs. 10,419,132 as against the excess of recurrent expenditure exceeding the revenue amounting to Rs.945,602 for the preceding years.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Even though a request was made to the Chairman by my letter dated 03 March 2011 to furnish the estimated revenue, the actual revenue and the arrears of revenue in respect of the year under review and the preceding year in a specified format, it was observed in audit that the information furnished to audit had not been accurate. Nevertheless, the status of the arrears of revenue according to the Statement of Arrears of Revenue as at 31 December 2010 as compared with the preceding year is given below in summarized form.

| Particulars ----- | Arrears of Revenue as at 31 December | | Increase as a Percentage ----- |
|----------------------|---|--------------------------|--------------------------------------|
| | 2010 ----- Rs.'000 | 2009 ----- Rs.'000 | |
| Rates | 804 | 592 | 35.81 |
| Acreage Tax | 192 | 169 | 13.61 |
| Lease Rents | 2,176 | 1,497 | 45.36 |
| License Fees | 208 | 102 | 103.92 |
| Others | 31,869 | 20,323 | 56.81 |

2:2:2 Arrears of Rates and Taxes

Action had not been taken in terms of Sections 158 and 159 of the Pradeshiya Sabha Act, No. 15 of 1987 for the recovery of the rates and taxes amounting to Rs.995,304 relating to the year under review and the preceding year.

2:2:3 Advertising Hoardings – Visual Environment

(a) Action in terms of the Notification published in Gazette No. 1646 of 19 March 2010 had not been taken for the recovery of a sum of Rs.108,729 from 38 advertisement hoardings displayed in the area of authority of the Sabha.

(b) Action in compliance with the Sections 39.2, 39.3, 39.4 and 39.5 of the Subsidiary Regulation had not been taken for the recovery of charges on advertising hoardings. While contravening the said Sections action in terms of Section 39.15 had also not been taken.

2:2:4 Charges on Telephone/ Telecommunication Towers

Action in connection with the construction of telephone/ telecommunication towers in the area of authority of the Sabha had not been taken in terms of Schedule V of the Minister of Urban Development and Sacred Areas Development published in the Gazette No. 1597/8 of 17 April 2009 for the recovery of the underecovery of processing fee of Rs.61,687 under 6(ii) of Schedule 6(V), a sum of Rs.200,000 from 03 towers on giving covering approval under paragraph 7(v) and a sum of Rs.29,000 recoverable from 07 towers for not issuing the certificates of conformity.

2:2:5 Courts Fines

Courts fines amounting to Rs.360,508 recovered by a Magistrates Court under various Ordinances up to 31 December 2010 and remitted to the Chief Secretary remained receivable by the Sabha.

2:2:6 Stamp Fees

Stamp fees amounting to Rs.3,615,822 and Rs.177,000 remained receivable as at 31 December 2010 from the Provincial Council and the Deputy Secretary to the Treasury respectively.

2:2:7 Trade Stall Rents

Action in terms of the Circular No. 2010/01 dated 27 December 2010 of the Southern Provincial Commissioner of Local Government had not been taken for updating the lease rent agreements once in three years and assessing the lease rent of trade stalls once in 05 years. A sum of Rs.444,054 had been in arrears from 50 trade stalls as at 30 June 2011.

2:3 Expenditure Structure

The budgeted and the actual expenditure of the Sabha for the year under review and the preceding year, together with the variance are given below.

| Item of Expenditure ----- | 2010 | | | 2009 | | |
|------------------------------|------------------------------|----------------------------|------------------------------|------------------------------|----------------------------|------------------------------|
| | Budgeted ----- Rs.'000 | Actual ----- Rs.'000 | Variance ----- Rs.'000 | Budgeted ----- Rs.'000 | Actual ----- Rs.'000 | Variance ----- Rs.'000 |
| <u>Recurrent Expenditure</u> | | | | | | |
| Personal Emoluments | 14,653 | 15,327 | (674) | 15,180 | 13,232 | 1,948 |
| Others | 7,005 | 7,480 | (475) | 6,733 | 4,856 | 1,877 |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Sub-total | 21,658 | 22,807 | (1,149) | 21,913 | 18,088 | 3,825 |
| Capital Expenditure | 19,503 | 19,503 | -- | 30,545 | 29,130 | 1,415 |
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Grand Total | 41,161 | 42,310 | (1,149) | 52,458 | 47,218 | 5,240 |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== |

2:4 Human Resources Management

Approved and Actual Cadre

The information on the actual cadre of the Sabha as at 31 December 2010 is given below.

| Grade of Employees ----- | Approved ----- | Actual ----- |
|-----------------------------|-------------------|-----------------|
| Staff | 01 | 01 |
| Secondary | 11 | 15 |
| Primary | 24 | 16 |
| Other (Casual Temporary) | -- | 46 |
| ----- | ---- | ---- |
| | 36 | 78 |
| | == | == |

The following observations are made.

- (a) According to the Revenue and Expenditure Account for the year under review, the salaries and allowances of the staff amounted to Rs.15,327,057 whereas only a sum of Rs.10,277,150 had been reimbursed by the Commissioner of Local Government. As such the difference amounting to Rs.5,049,907 had become an additional expenditure to the Sabha Fund.
- (b) According to the Management Services Circulars Nos. 14 and 28 dated 03 January 2002 and 10 April 2006 respectively of the Secretary to the Treasury, recruitment of employees to Local Authorities on casual, substitute and contract basis had been suspended. Contrary to such provisions, 46 employees had been recruited on the substitute and contract basis and a sum of Rs.4,000,884 had been paid out of the Sabha Fund as the salaries and allowances. It had been emphasized, that if recruitment is made by surpassing the provisions of the circulars, the Head of the Institution is personally responsible thereto.

2:5 Assets Management

2:5:1 Idle and Underutilised Physical Resources

The backhoe machine valued for Rs.1,200,000 by the Mechanical Engineering Office, Uduhawa in the year 2009 had been parked in the yard without being used.

2:5:2 Accounts Receivable

The balances of accounts older than 01 year as at the end of the year under review totalled Rs.497,406.

2:5:3 Staff Loans Recoverable

The balances of staff loans and advances that remained recoverable as at 31 December 2010 totalled Rs.784,741 and 18 balances outstanding for more than one year totalled Rs.69,512.

2:6 Operating Inefficiencies

2:6:1 Maintenance of Street Lamps

The Sabha had spent a sum of Rs.723,732 in the year under review for the maintenance of street lamps and a sum of Rs.44,064 out of that only had been reimbursed by the Ceylon Electricity Board. As such the difference amounting to Rs.679,668 had become an additional expenditure of the Sabha.

2:6:2 Building Application No. 2011/13

The following matters were observed at an examination of the above Building Application carried out on 23 September 2011.

- (i) The three storeyed commercial building relating to the Building Application had been constructed without a Development Certificate.
- (ii) As the three storeyed building of 239.49 square metre floor area had been constructed up to the roof level, a charge of Rs.239,490 in terms of Section 6(ii) of the Notification of the Minister of Urban Development and Sacred Areas Development published in the Gazette No. 1597/8 of 17 April 2009 had not been recovered in the grant of covering approval.
- (iii) According to Section 26(i) of the Order of the Minister of Local Government, Housing and Construction published in the Gazette No. 329/9 of 10 March 1986, an open space not less than 03 metres from the boundary of the land and the building should be left vacant. But the physically available vacant area was 1.3 metres. This building situated along the Kamburupitiya, Mulatiyana B Class Road should have had a building limit of 12 metres. But the physical limit was only 8.1 metres. A protective wall had not been built for the drainage canal behind the building.
- (iv) As such it was observed that the above building had not been constructed in accordance with the regulations made by the Minister of Urban Development and Sacred Areas Development and the Minister of Local Government, Housing and Construction.

2:7 Contract Administration

Maga Neguma Rural Development Programme

- (i) Laying of inter-connected metal blocks on the Ihalagedara Road, Dhammaloka Mawata Stage II, Ganegama Tippalahena Road from Boralu Ketiya Junction and Ullala Alkolamulla Road in the area of authority of the Sabha developed under the Maga Neguma Rural Development Programme, should have had 10 millimetres between blocks and the 11,000 blocks of metal an appearing in the instructions letter of the Secretary to the Ministry of Highway approving the provisions for the year 2010 had not been laid.

- (ii) The physical inspection of these 04 roads carried out on 28 September 2011 revealed that 5,447 concrete blocks valued at Rs.157,963 had not been laid as required.

3. Systems and Controls

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

- (a) Assets Management
- (b) Revenue Administration
- (c) Assets Management
- (d) Stores Control