

Kebithigollawa Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 May 2013 and the financial statements for the preceding year had been presented on 24 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 25 November 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 Kebithigollawa 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 accounting deficiencies were observed.

- (a.) Twelve items of fixed assets valued at Rs.401,835 had not been brought to account and action had not been taken to assess the value of another 05 items of assets and brought to account.
- (b.) Revenue relating to 06 items decided as receivable during the year under review had been overstated by Rs.560,716 and revenue relating to 05 items had been understated in the financial statements by Rs.175,127.
- (c.) Court fines and stamp fees revenue due for the year under review had not been decided and brought to account.
- (d.) There was a difference of Rs.1,827,017 between the total of the net assets and the total of the liabilities including the accumulated fund as per the financial statements of the year under review.

1.3.2 Unreconciled Accounts

- (a.) There was a difference of Rs.573,153 between the total of balances shown in the financial statements in respect of 04 items of accounts and the total of the balances as per subsidiary registers.
- (b.) According to the accepted accounting system for Pradeshiya Sabha, the total of the balances of fixed assets accounts should be equivalent with the balance of the revenue contribution to capital out-lay account. But, there was a difference of Rs.6,559,706 between these 02 accounts.

1.3.3 Lack of Evidence for Audit

Eight Items of account totaling Rs.247,748 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.632,635 as compared with the excess of recurrent expenditure over revenue amounting to Rs.207,222 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a.) Officers with the custody of money or stores and the officers carrying out duties relating to revenue had not kept security deposits in terms of Rule No.180 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.
- (b.) According to the Financial Regulation 237 of the Republic of Sri Lanka, a certificate to the effect that the respective goods were received to the stores in good quality and in terms of the agreement; while making payments for stores supplies. However, a total sum of Rs.112,689 had been paid at 17 instances, deviating the above requirement.

2.3 Revenue Administration

2.3.1 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.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	100	260	160
(ii.) Lease Rent	1,835	1,327	597
(iii.) Licence Fees	289	382	93
(iv.) Other Revenue	1,834	527	1,423

2.3.2 Rates and Taxes

The Sabha had not paid attention to levy rates and taxes on the annual value of the property and to levy a tax on undeveloped lands and recover such taxes in terms of Section 134(1) and 153(1) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.3 Stall Rent

Action had not been taken to recover stall rent in arrears amounting to Rs.80,102 relating to previous 03 years in respect of 05 stalls owned by the Sabha in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.4 Court Fines and Stamp Fees

Court Fines and Stamp Fees receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities had not been ascertained and brought to account.

2.3.5 Other Revenue

The Sabha had suffered a loss Rs.349,200 due to non-recovery of at least the minimum bid of the leased properties in terms of Paragraph VIII of the Circular No.LG/3 dated 30 September 1989 of the Commissioner of Local Government.

2.4 Idle and Underutilized Physical Resources

Two tractors of the Sabha valued at Rs.1,170,000 had been lying idle without being used without being used for about 03 years.

2.5 Contract Administration

Payments totaling Rs.3,608,558 had been paid for 05 works without obtaining the Quality Control Certificates from the Provincial Engineering Department and a sum of Rs.441,720 had been paid to a work; even though it had been reported in the Quality Control Reports that works were not according to the standards.

2.6 Operating Inefficiencies

The following observations are made.

- (a.) A corporate plan including the plans relating to the activities of the future years and an action plan to achieve the expected plans had not been prepared and implemented.
- (b.) The Sabha had recruited 13 employees in excess of the approved cadre during the year under review and salaries and allowances amounting to Rs.1,083,935 had been paid from the funds of the Sabha.

2.7 Solid Waste Management

The Sabha had not implemented an environmental friendly waste management system during the year under review.

3. Systems and Controls

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

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