

Kuliyapitiya Pradeshiya Sabha

Kurunegala District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 12 September 2012.

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 Kuliyapitiya Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, 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 Kuliyapitiya Pradeshiya Sabha as at 31 December 2011 and the financial results and cash flows statement of its operations for the year than ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

Although stamp fees receivable amounting to Rs. 31,657,999 had been shown under revenue debtors as at end of the year under review, the actual stamp fees outstanding as at end of the year under review amounted to Rs. 11,000,000. Therefore stamps fees receivable as at end of the year under review had been over accounted by Rs.20,657,999.

1.3.2 Lack of Evidence for Audit

Non – submission of Information for Audit

Transactions totalling Rs. 17,311,269 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 Result

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.23,915,625 as compared with the excess of revenue over recurrent expenditure amounting to Rs.40,610,717 for the preceding year.

2:2 Financial Control

The following deficiencies in financial control were observed.

- (a) Debit balance amounting to Rs. 165,101 under 7 items of accounts and credit balance amounting to Rs. 859,747 under 4 items of accounts prevailed since a long period had not been settled even as at end of the year under review.
- (b) In the preparation of the Bank Reconciliation statement for the month of December of the year under review relating to the common bank account, the balance as per the ledger account amounting to Rs. 10,595,805 had been brought to account instead of the main cash book balance of Rs.10,255,289. Similarly, a sum of Rs. 10,606,004 being a balance extraneous to the above two balances had been shown in the balance sheet under cash balance.

- (c) Cheques issued but not cashed amounting to Rs. 3,604,456 shown in the Bank Reconciliation Statement for December 2011 relating to the common bank account included 83 cheques valued at Rs. 350,990 prevailed since years 2009 and 2010.
- (d) Debtors balance as at end of the year under review included a balance of Rs. 11,000 as “Royalty Services” It was an amount recovered from the allowances of a Consultant employed for the Water Project and it had not been settled even as at end of the year under review.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year 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	288	291	93
(ii) Lease Rents	3,721	4,551	74
(iii) Licence Fees	732	810	66
(iv) Other Revenue	57,259	58,155	-

2.3.2 Court Fines and Stamp Fees

Accounts receivable as at 31 December 2011 from the Chief Secretary of the provincial Council and other authorities are given below.

	Rs.
(i) Court Fines	7,483,641
(ii) Stamp Fees	36,379,611

2.4 Idle and Underutilized Physical Resources

A Road Roller valued at Rs. 1,285,000 owned by the Sabha had been lying idle without being used for about 04 years.

2:5 Human Resources Management

The following observations are made.

- (a) The post of Secretary which is a Supra Grade of the Management Service had remained vacant since year 2009 and an officer of the Local Government had covered the duties. Although the number of Technical Officer posts of the Sabha was four, two posts had remained vacant for about one year. Similarly, the number of approved Revenue Administrator posts were 04, one post had remained vacant for 03 years.
- (b) The approved cadre for the posts of Laborer and Driver was 53 and only 45 permanent employees had been employed under the above categories, whilst 06 employees had been employed by the Sabha based on casual, substitute category and paid.
- (c) The approved cadre of the Sabha for Road Labourers was 26 and during the year under review 23 Road Labourers had been employed. But outside their permanent duties most of these Labourers had been arranged for such on Drivers, Office Labourers of which no vacancies are available. As the Road Laborers had been employed for other duties, temporary laborers had been recruited on daily paid basis to fulfill the labour requirements of the jobs carried out under direct labour basis.

2.6 Contract Administration

The following observations are made.

The Pradeshiya Sabha had completed 62 jobs valued at Rs. 66,964,572 under direct labour basis during the year 2010. It was observed at sample checks that the following technical report had not been prepared in terms of the Circular No. 2007/3/Technical dated 01 June 2007 of the Commissioner of Local Government (North West)

- (i) Feasibility reports on jobs, report on hight levels of the ABC layer measured using an Engineering Level.
- (ii) Meter hours for activities carried out by using a machine.
- (iii) Details which should be furnished along with the measurements in the estimates and bill of quantities
- (iv) Report on expenditure according to the report on works completed.
- (v) Report on profit/loss including the items of materials and labour
- (vi) Details of quotations relating to the purchase of estimated metal and sand.

2.7 Operating Inefficiencies

The following observations are made.

- (a) Action had not been taken to recover the loan balance of Rs. 141,761 due from an officer interdicted prior to about 10 years and the officer is on compulsory leave at present.
- (b) An annual verification of land and buildings had not been carried out during the year under review in terms of Rule 228 of the Pradeshiya Sabha (Financial and Administration) Rules – 1988

- (c) The contributions payable to the Local Government Pensions fund by the Sabha in respect of the employees on whom the Sabha is liable to pay contributions had not been properly paid in respect of the employees retired from the Pradeshiya Sabha service. Therefore, the balance payable to the said fund as at end of the year under review amounted to Rs.1,218,448 .
- (d) There was no corporate plan for the Sabha and an action plan for the year under review

2.8 Internal Audit

An adequate internal audit of the institution had not been carried out by the Sabha.

3 Systems and Controls

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

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