

Kundasale Pradeshiya Sabha

Kandy District

1. 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 under review was issued to the Chairman of the Sabha on 11 September 2012.

1:2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Kundasale Pradeshiya Sabha for the year ended 31 December 2011 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a) A balance of Rs. 467,293 under the temporary miscellaneous deposits continued to be shown under unsettled deposits even though it had been utilized for the intended purposes.
- (b) Arrears of pensionary contributions for the year under review amounting to Rs. 417,948 had been completely omitted from the accounts and therefore, the expenditure and the creditors had been understated by a similar amount.
- (c) The balance of the Local Loans and Development Fund amounting to Rs. 3,233,869 had not been shown and therefore, it was observed that the creditors had been understated by a similar amount.

- (d) Action had not been take to assess the value of 151 items of land and buildings owned by the Sabha and take them to accounts.
- (e) The total of the balances of 04 items of accounts as per control accounts amounted to Rs. 10,727,344 and the total of the balances as per subsidiary registers / records amounted to Rs. 9,277,336
- (f) The total of the debit balances of suspens accounts as at 31 December 2011 amounted to Rs. 15,766.

1.3.2 Lack of Evidence for Audit

----- Non-Submission of Information to Audit -----

Transactions totalling Rs. 226,454,393 could not be satisfactorily vouched in audit due to the non-submission of required information for audit.

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 2011 amounted to Rs.28,157,554 as compared with the excess of revenue over recurrent expenditure amounting to Rs.13,140,122 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed

- (a) Action had not been taken in terms of Financial Regulation 188(2) of the Republic of Sri Lanka in respect of 44 chequess valued at Rs. 376,000 deposited but not realized from 1999 to March 2010.

- (b) Action had not been taken in terms of Financial Regulation 396 in respect of 05 cheques valued at Rs. 79,378 issued but not presented for payments for over a period of 06 months in relation to 02 current accounts maintained by the Sabha.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	23,444	17,428	8,644
(ii) Lease Rent	10,450	3,377	2,488
(iii) Licence Fees	3,486	3,004	-
(iv) Other Revenue	24,720	25,428	3,081

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council is given below.

	Rs.
(i) Court Fines	1,032,209
(ii) Stamp Fees	15,361,798

2.3.3 Stall Rent

- (i) Although an assessment had been obtained for stall rent of the Sabha during the year 2007, rent had not been computed according to the said assessment and as a result, the Sabha had been deprived of an income about Rs. 3,381,600 for the period 2008 to 2011.

- (ii) Procurement procedure had not been followed in leasing out the stalls of the Menikhinna General Market, Digana Ranaviru Steet, Kinimetiya Junction and the Bus stand. Further, action had not been taken to recover the sum of Rs. 830,522 outstanding as at 31 December 2011.

2.3.4 Hoarding Charges

Bye – laws had not been laid to recover charges from hoardings within the area under the Sabha during the year 2011.

2.3.5 Transmission Towers

The schedule 6 of the Gazette Extra – ordinary Notification No. 1597/8 dated 17 April 2009 of the Minister of Urban Development had not been followed in the instances shown below.

- (i) Six transmission towers located in the Sabha limits had been constructed without the plans being approved. But, charges had not been computed and recovered from the respective companies at Rs. 10,000 per 5 metres of height of those unauthorized towers.
- (ii) Development licence fees amounting to Rs. 276,000 which should be recovered for 12 towers located within the Sabha limits had not been recovered by the Sabha.
- (iii) Annual trade licence should be obtained on the basis of number of telecast Antennas of the transmission towers. But, licence had not been so obtained for 13 transmission towers located within the Sabha limits. Therefore, the Sabha had been deprived of licence fees amounting to Rs. 272,000 as at end of the year under review.

2.3.6 Meat Stall Rent

The procurement procedure had not been followed in leasing out meat stalls owned by the Sabha for the year under review. The rent outstanding as at 31 December 2011 for the Beef stall No. 1 of Digana amounted to Rs. 1,944,925. Information regarding the outstanding rent in respect of other meat stalls had not been submitted to audit.

2.4 Operating Inefficiencies

The following observations are made.

- (a) The value of accounts receivable exceeding one year as at 31 December 2011 amounted to Rs. 7,932,891.
- (b) A corporate plan and an action plan for the year under review had not been prepared.

2.5 Human Resources Management

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- (a) There were vacancies only for the post of Library Assistant and 02 Road labourers as per approved cadre of the Sabha. Nevertheless, 46 casual and substitute employees had been recruited in 2011 and a sum of Rs.6,467,366 had been paid as salaries.
 - (b) Salaries amounting to Rs. 15,021,574 had been paid for the permanent staff of the Sabha during the year under review and of this, only a sum of Rs. 13,747,497 had been reimbursed.

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) Debtors and Creditors Control
- (f) Stores Control