

Kuruwita Pradeshiya Sabha

Ratnapura District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 21 March 2012 and the financial statements for the preceding year had been presented on 22 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 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 Kuruwita 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 Kuruwita Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed

- (a) Action had not been taken to compute other stocks and bring them to accounts while the stock of drugs in the institution alone had been computed and brought to accounts at end of the financial year.
- (b) Income received in advance amounting to Rs 93,253 as at 31 December 2011 had not been brought to account.

- (c) Provision had not been made in the accounts for creditors in respect of the expenditure relating to 30 instances totalling Rs 10,770,686 of the year under review which had been paid during the year 2012.
- (d) A provision of Rs 150,000 had been made for creditors and had been adjusted to the expenditure of the year under review under item of expenditure 505(2) for providing roofing sheets; without making any financial commitment to an outside institution. Therefore, the capital expenditure for the year had been overstated by a similar amount by accounting the expenditure for work not done without any commitment.

1.3.2 Lack of Evidence for Audit

----- Non –submission of Information to Audit -----

Transactions totalling Rs 57,299,575 could not be satisfactorily vouched in audit due to 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 revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs. 6,077,963 as against the excess of recurrent expenditure over revenue amounting to Rs. 605,658 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed

- (a) The total balance of control accounts relating to 21 items of accounts amounted to Rs 48,574,865 whilst the total balance of accounts as per subsidiary registers amounted to Rs 32,706,273

- (b) The total balance of control accounts relating to 04 items of accounts amounted to Rs 53,724,558 but the total balance of accounts taken into the trial balance was Rs 55,322,713
- (c) Action had not been taken to get the reimbursement from the Provincial Council for interest on property loans totalling Rs 88,272 paid by the Sabha in respect of the employees of the Sabha since 2009.
- (d) A sum of Rs 2,054,598 payable to the Department of Pensions by the Sabha in respect of former employees of the Local Government Service had not been paid 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 relating to the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review, as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	2,213	2,228	3,513
(ii) Lease Rent	6,846	2,683	7,773
(iii) Licence Fees	1,178	1,273	(69)
(iv) Other Revenue	12,026	12,058	6,109

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	2,865,200
(ii) Stamp Fees	3,206,330

2.3.3 Rates and Taxes

Rates and taxes amounting to Rs 2,219,957 had been outstanding for a number of years from 350 units out of 1,834 rates assessment units of the area under the control of the Sabha.

2.3.4 Acreage Tax

The outstanding Acreage Tax of 298 tax units amounted to Rs 194,750 within the area under the control of the Sabha.

2.4 Idle and Underutilized Physical Resources

A multipurpose cutting machine valued at Rs 154,090 owned by the Sabha had remained idle without being used.

2.5 Dormant Accounts

The total of the balance of the dormant accounts existing for over 10 years aggregated Rs. 59,191

2.6 Irregular Transactions

The income from sale of tickets of the Bopath Ella Observation Centre from 14 November 2011 to 21 November 2011 amounted to Rs 41,150 It was observed at the examination carried out on 21 November 2011 that the ticket seller had withheld a sum of Rs 36,240 out of the sales income for a long period and a cash shortage of Rs 4,910 also was observed.

2.7 Contract Administration

The following observations are made

- I. Laying concrete Blocks for the Balance Part of the Kuruwita Delgamuwa Road in front of Mr.Chandana's House (Stage I)

The contractual amount of the work was Rs 499,091 and it had been completed on 01 July 2011 and a sum of Rs.497,850 had been paid. A field inspection

carried out on 21 November 2011 revealed that sub- standard concrete blocks had been laid on the road and the road had become unroadworthy even within a short period of 03 months of construction.

II Preparation of the Entrance at Kuruwita – Udakada Road.

An agreement had been entered into on 05 April 2011 for Rs 708,828 for a period of agreement lasting 03 months and the contracted metal had been laid and the construction of the road had been completed on 08 April 2011. According to the quality test report of the concrete metal, it had been assured that concrete metal between 25.10 to 54.83 Neutrons had been laid. But, at the audit inspection carried out on 21 November 2011 it was confirmed that the cracks on the surface of the road had been covered with tar. Accordingly, it was not confirmed whether materials of proper standard confirmed by quality test report had been used for construction of road and the expenditure of Rs. 708,828 for construction activities had become fruitless.

III Laying Concrete Blocks at the Entrance of the Kuruwita – Galleligama Road.
(Stage I)

An agreement had been entered into with an approved society for Rs 497,774 on 06 July 2011 and the work had been completed on 02 September 2011. But, a field inspection carried out on 21 November 2011 revealed that the concrete block laid had been broken and washed away even before 02 months from the date of completion. Accordingly, it was not confirmed that the standardized concrete blocks had been used for the construction of the road and the sum of Rs 497,774 spent for the construction work had become fruitless.

2.8 Operating Inefficiencies

The following observations are made

- (a) According to the Bank Statement as at 31 September 2011, the balance of the General Account amounted to Rs 21,531,771. But, action had not been taken to invest the surplus money.
- (b) Advances amounting to Rs 345,219 given in 07 instances had not been settled immediately after the completion of work, in terms of Financial Regulation 371 (c) of the Democratic Socialist Republic of Sri Lanka.
- (c) Action had not been taken to settle the lapsed deposits amounting to Rs 1,105,775 in terms of Financial Regulation 571(3)
- (d) The total of the staff loan balance outstanding for over one year as at 31 December 2011 amounted to Rs 426,532.
- (e) The total of the balance of accounts receivable for over one year as at 31 December 2011 amounted to Rs 341,027 and assets remaining static amounted to Rs 3,099,542
- (f) A corporate plan for a minimum of 3 ensuing years from 2010, the action plan and the annual performance report had not been prepared in terms of the letter No P/F/R/2/2/5/3(4) dated 10 March 2010 of the Director General of Public Finance and Public Finance Circulars No. 402 and 402(1) respectively dated 12 September 2002 and 20 February 2004.

3. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contract Administration