

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 to the Audit on 12 April 2017 and the financial statements for the preceding year had been presented to the Audit on 02 May 2016 and the Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the Kamburupitiya Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1. Accounting Deficiencies

The following accounting deficiencies were observed during the course of audit.

- (a) An understatement of Rs. 1,823,033 was shown on financial statements due to non-provision of creditors for accrued expenses and deduction of payments made in capital works from creditor balance.
- (b) Fixed assets aggregating Rs. 3,839,060 had not been capitalized.
- (c) Receivable stamp fees of Rs. 3,630,533 for the previous year had been understated in financial statements.

1.3.2 Suspense Account

Actions had not been taken even in the year under review to adjust and settle accounts by identifying credit balance of Rs. 1,168,845 in suspense account which was continuously carrying forward in accounts without taking steps to settle.

1.3.3 Unreconciled Control Accounts

Differences totaling Rs. 51,798,054 were observed between the balances of 07 items of account shown in the financial statements totaling Rs. 83,641,807 and the balances appearing in the subsidiary registers / schedules relating thereto.

1.3.4 Accounts Receivables and Payables

The following observations were made.

- (a) Un identified sundry debtor balance aggregating Rs. 40,343,327 and creditor balance aggregating Rs. 41,307,925 were remain in the age analysis as at the end of the year under review.
- (b) Deposit balance aggregating Rs. 4,821,869 were remain as at the end of the year under review without identifying the ageing.
- (c) Steps had not been taken to settle the loan account total of Rs. 431,338 of Kirinda Phulwella Pradeshiya Sabha for 10 years period.

1.3.5 Lack of Documentary Evidence for Audit

In view of the failure to produce evidence such as updated and properly maintained register of fixed assets, inventory register and annual board of survey reports in respect of fixed assets totaling Rs. 98,986,426, updated stock registers and board of survey reports with relating to stock balances aggregating Rs. 247,320; schedules, subsidiary registers, age analysis and balance confirmations with relating to revenue receivable totaling Rs. 3,131,673 debtor balances aggregating Rs. 40,343,328, industrial and supply creditor balance of Rs. 40,789,698, advance receivable of Rs. 43,338 and 06 deposits totaling Rs. 3,029,968 could not be satisfactorily examined in audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 12,884,716, as compared with the excess of recurrent expenditure over revenue amounting to Rs. 7,129,576 for the preceding year. Accordingly, the financial results for the year under review indicated an improvement of Rs. 5,755,140.

2.2 Analytical Financial Review

The following observations were made.

- (a) The total recurrent expenditure represented more than 79 per cent of the total recurrent revenue of the year under review.
- (b) The recurrent expenditure had been increased more than the Self-generated Revenue by significant amounts in the year under review as well as the previous two years and it was shown situation where recurrent expenditure could not be recovered at any mean from Self-generated Revenue.

2.3 Working Capital Management

It was observed in audit, that a liquidity position according to the current and quick ratios does not exist due to the existence of capital grants receivable of Rs. 40,343,227 and stamp fees receivable of Rs. 16,922,635 with relating to the year under review and previous years in the debtor balance of the year under review.

2.4 Revenue Administration

2.4.1 Rates

While there was opening arrears amounting to Rs. 810,892, and a sum of Rs. 1,732,570 had to be recovered including the billings of Rs. 921,678 of the year. The arrears balance as at the end of the year was Rs. 856,911 due to the total recoveries was Rs. 875,659.

2.4.2 Acreage Tax

While there was opening arrears amounting to Rs. 304,981, and a sum of Rs. 329,609 had to be recovered including the billings of Rs. 24,628 of the year. The arrears as at the end of the year were Rs. 315,896 due to the total recoveries during the year was Rs. 13,713.

2.4.3 Rent Income

While there was opening arrears amounting to Rs. 1,065,382, and a sum of Rs. 6,960,153 had to be recovered including the billings of Rs. 5,894,777 of the year. The arrears balance as at the end of the year was Rs. 994,238 due to the total recoveries during the year was Rs. 5,965,921.

2.4.4 License Fees

While there was opening arrears amounting to Rs. 79,095, and a sum of Rs. 1,214,952 had to be recovered including the billings of Rs. 1,135,862 during the year.

2.4.5 Water Charges

While there was opening arrears amounting to Rs. 2,396,656, and a sum of Rs. 6,192,690 had to be recovered including the billings of Rs. 3,796,034 for the year. The arrears balance as at the end of the year were as higher as Rs. 1,903,890 due to the total recoveries during the year was Rs. 4,288,801. A sum of Rs. 3,610,254 had been spent from Sabha funds in the year under review on the maintenance work of 06 water projects which was maintained by the Pradeshiya Sabha.

2.4.6 Courts Fines and Stamp Duty

Stamp Duty amounting to Rs. 16,982,635 and Courts Fines amounting to Rs. 778,697 remained recoverable as at 31 December 2016 from the Chief Secretary of the Provincial Council and the other Authorities.

3. Operating Review

3.1 Management Inefficiencies

3.1.1 Human Resources Management

Actions had not been taken to fill 05 secondary and primary vacancies as well as to streamline excess recruitments made in 36 secondary and primary posts.

3.1.2 Staff Loans

Even though the loan balances aggregating Rs. 165,301 were remained receivable from 20 officers, actions had not been taken to recover them. Out of them, a balance of Rs. 62,126 for over 05 years a period and another balance of Rs. 103,175 for over one year period were remained outstanding.

3.3 Contract Administration

The liquidity damage of Rs. 177,129 for the delay in construction of Ganegama multipurpose building had not been charged as per the conditions of the agreement.

3.4 Solid Waste Management

The following observations were made.

- (a) Though a sum of Rs. 6,174,314 had been spent for collecting of garbage during the year under review, many issues were occurred due to the improper disposals of garbage in the middle of the city. According to the directions made in the No. 1533/16 of 1980 amended by Acts Nos. 53 of 2000 and 56 of 1988; and Environment Act dated on 25 January 2008, the Environment License had not been obtained by the Sabha.

- (b) The roof of the old office building had been repaired from the amount of Rs. 1,000,000 granted for the development of Solid Wastes Management Centre.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed that the budget had not been made use of as an effective instrument of management control due to remaining of the non-achieved target revenue of Rs. 3,878,203 in 02 items of revenue included in the budget for the year under review whilst there were savings totaling Rs. 6,255,743 in 07 items of expenditure and expenditure of Rs. 71,698 made by exceeding the approved limit of an item of expenditure.

4.2 Internal Audit

An adequate internal audit had not been carried out as specified in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. SPLA/G/01/MCC dated 24 February 2014 of the Commissioner of Local Government of the Southern Province. However, a sum of Rs. 441,578 had been paid to the Internal Audit Officer as salaries and allowances in the year under review.

5. Systems and Controls

Special attention of the Sabha should be drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Assets Management
- (c) Revenue Collection
- (d) Budgetary Control