

Kurunegala Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and report of the Auditor General on the financial statements had been forwarded to the Chairman on 30 October 2018.

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 Kurunegala Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) The fixed deposit interest revenue receivable for the year under review amounting to Rs.3,509,630 had not been brought to account.
- (b) Creditors and capital expenditure had been overstated by Rs.9,334,621 in the financial statements.
- (c) The accrued pensions amounting to Rs.1,337,440 had been omitted from the accounts.
- (d) The opening balance of creditors of various works had been understated by Rs.23,013,000 in the accounts.
- (e) The value of buildings of the Wellawa e Library amounting to Rs.925,284 had been omitted from the accounts.
- (f) Value of 17 lands belonging to the Sabha amounting to Rs.22,451,000 had not been brought to account and value of 03 lands amounting to Rs.445,000 had been brought to account twice.

- (g) The value of the generator purchased for the Masspotha Crematorium amounting to Rs.1,080,975 had not been brought to account.
- (h) The value of computers and accessories amounting to Rs.755,500 had been brought to account as Rs.75,550.
- (i) The value of a motor bicycle belonging to the Sabha had not been assessed and brought to account.
- (j) The provision for audit fees had not been made for the year under review.
- (k) The industries debtors had been understated by Rs.300,000 as at the end of the year under review.
- (l) Computers, accessories and furniture and equipment received at donations amounting to Rs.503,697 had not been brought to account.
- (m) The electrical stores had been brought to account understating by Rs.336,894 in rectifying errors of accounting and the electrical stores closing stocks amounting to Rs.168,447 in the year 2015.

1.3.2 Unreconciled Accounts

A difference of Rs.110,518,649 was shown in 11 balances of accounts as per financial statements as at the end of the year under review and the balances as per the Schedules and Ledger.

1.3.3 Suspense Account

A balance of suspense amounting to Rs.169,855,860 was shown in the current liabilities in the statement of financial position.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

The following matters were observed.

- (i) Out of the balances of receivable accounts amounting to Rs.385,557,687 as at 31 December of the year 2017, the unsettled balance over 1 year amounted to Rs.246,468,317.
- (ii) Action had not been taken to recover a sum of Rs.1,194,618 shown as deposits/ advances in other institutions and a sum of Rs.100,000 given to a trade union and the interest.

(b) Accounts Payable

The following matters were observed.

- (i) Out of the payable balance amounting to Rs.282,809,804 as at 31 December of the year under review, the balance unsettled for over 1 year amounted to Rs.37,0852,977.
- (ii) The age analysis for creditors amounting to Rs.230,987,398 had not been prepared.

1.3.5 Lack of written evidence for audit

The following matters were observed.

- (a) Ten items of accounts totaling Rs.47,294,526 could not be satisfactorily vouched in audit due to non-availability of required information.
- (b) The schedules to adjust current assets and current liabilities amounting to Rs.89,717,385 and Rs.4,370,036 respectively to accumulated fund through journal entries had not been furnished to audit.

1.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with the provisions of laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
	Rs.	
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 571(2)	512,375	Action had not been taken on 143 deposits older than 02 years.
(ii) Financial Regulations 1645 and 1646	-	Daily Running Charts for 16 motor vehicles had not been furnished to audit.
(b) Public Administration Circular No.26/92 dated 19 August 1992.	-	The name of the local authority with the state emblem had not been stenciled on the vehicles of the Sabha.

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 2017 amounted to Rs.202,247,275 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.124,733,524.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	11,420	13,715	13,411	24,728	11,205	10,911	10,368	10,336
(ii) Lease Rent	2,700	1,864	1,886	10	1,121	1,325	1,484	32
(iii) Licence Fees	1,650	2,513	803	1,007	1,588	1,797	1,797	261
(iv) Other Revenue	171,397	283,252	169,269	251,246	133,204	220,406	95,455	229,329
Total	187,167	301,344	185,369	276,991	147,118	234,439	109,104	239,958

Note:

The revenue collected during the year 2017 had included the recovery of arrears relating to the previous years amounting to Rs.114 million as well.

2.2.2 Performance in Collection of Revenue

The billed revenue and collected revenue for the year under review amounted to Rs.301 million and Rs.185 million respectively and a sum of Rs.277 million had to be further recovered as at the end of the year under review with the arrears of the preceding years. But it was observed the un-

reconciliations between the values furnished by the Sabha in respect of revenue administration and the values in the financial statements.

2.2.3 Rates and Taxes

The following matters were observed.

- (a) Out of the rates and taxes and acreage tax receivable amounting to Rs.24,727,685 as at 31 December of the year under review, the arrears of Rs.12,116,119 had exceeded for over 03 years.
- (b) The recoveries from the arrears of rates and the recoveries from the billed revenue had been 68 per cent and 58 per cent respectively and the arrears of rates as at 31 December 2017 amounted to Rs.24,727,685.

2.2.4 Lease Rent

The billed revenue for lease rent amounting to Rs.1,864,000 for the year under review had received totally while a sum of Rs.10,000 had to be received from the arrears of opening balance of the year.

2.2.5 Court Fines and Stamp Fees

The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council as at 31 December of the year under review amounted to Rs.8,569,415 and Rs.231,729,427 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads, and the comfort, facilities and wellbeing of the people are given below.

(a) By-laws

By-laws should have been passed by the Sabha to execute 30 main activities under Section 126 of the Pradeshiya Sabha Act. Nevertheless, the Sabha had embraced the by-laws imposed by the Extra-ordinary Gazette No.570/7 dated 23 August 1988 and the by-laws imposed by the Provincial Council.

(b) Provisions not made

Thirty nine works of Rs.14,404,536 for which provisions were not made in the annual budget had been implemented during year under review.

(c) Works Abandoned

Four works which estimated value amounting to Rs.81,000,000 had not been implemented during the year under review.

(d) Solid Waste Management

The following matters were observed.

- (i) A sum of Rs.8,865 only had been utilized from the estimated provision of Rs.490,000 made for Solid Waste Management Programme.
- (ii) Solid Waste Categorization Centre constructed by incurring a sum of Rs.2,396,728 in the year 2016 had remained idle even by 11 July 2018. Further, the Sabha had not taken action to provide basic needs such as water and electricity to this centre.

(e) Environmental Issues

The Environmental Protection Licences had not been issued to 06 industries for the year under review due to environmental problems.

(f) Sustainable Development Goals

The Sabha had not aware in respect of the 2030- Agenda of Sustainable Development. However, the Sabha had implemented the pro-poor programmes for the people. Even though, it was mentioned that the programme of selecting the model school devoid of dengi mosquitoes, had been implemented the entire provisions of Rs.10,000 made thereon through the budget in the year under review had been saved.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Action had not been taken to assess the value of the Thiragama multi-purpose building.
- (b) Even though, the overpaid amount of Rs.101,196 for 2 works had been recovered, the necessary action in respect of the officers who were responsible for preparing reports to make incorrect payments and make recommendation and given approval on the matters such as not taking correct measurements and non-applying of agreed prices.

3.3 Human Resources Management

(a) Staff Vacancies

Thirty three vacancies in respect of 12 posts of the Sabha had existed.

(b) Staff Loans

A sum of Rs.89,815 had not been recovered which recoverable from 2 officers who vacated of post and who deceased.

3.4 Assets Management

3.4.1 Assets not vested

The following matters were observed.

(a) Action had not been taken for formal course of vesting of 70 cemeteries out of 71 cemeteries in the authoritative area of the Sabha and the necessary development activities of the cemeteries also had not been carried out.

(b) Action had not been taken for vesting of 05 clinic centres constructed by a project in the year 2014 to the Sabha.

3.4.2 Idle/ Underutilized Assets

A road roller which had not been vested to the Sabha had remained idle for a 03 years period.

3.5 Procurements

3.5.1 Supplies and Services

The purchases amounting to Rs.144,154 had been made without obtaining the quotations in terms of the provisions of the Procurement Guidelines.

4. Accountability and Good Governance

4.1 Budgetary Control

Entire estimated provisions of Rs.3,400,000 made for upgrading of employees motivation and efficiency, 10 social welfare activities and Information Communication Technology Plan had been saved.

4.2 Internal Audit

The copies of the internal audit reports had not been furnished to Auditor General.

5. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of controls.

System	Observation
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(a) Accounting	(i) Failure to update the books of accounts and registers. (ii) Failure to furnish schedules along with financial statements. (iii) Non-preparation of Pradeshiya Sabha 19 report.
(b) Revenue Administration	(i) Weaknesses in recovery of arrears of revenue. (ii) Non-preparation of reports of arrears of revenue. (iii) Non-recovery of three wheeler revenue.
(c) Purchasing Procedure	Failure to record all purchases.
(d) Contract Administration	Irregular payments.