

**Kobeigane Pradeshiya Sabha**  
**Kurunegala District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 29 May 2014 and the financial statements for the preceding year had been presented on 07 May 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 December 2014.

**1.2 Opinion**

In my opinion, except for the effects of the matters referred to in Paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kobeigane Pradeshiya Sabah as at 31 December 2013 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 accounting deficiencies were observed.

- (a.) Although the capital expenditure relating to the year under review on physical plans, roads and ways, lands and buildings programme amounted to Rs.16,295,500 it had been shown in the financial statements as Rs.18,137,760 thus overstating Rs.1,842,260. Capital aid relating to the year had been understated by Rs.2,659,870.
- (b.) A sum of Rs.6,458,421 received during the year under review in respect of vesting a land owned by the Sabha to an outside party had been accounted under recurrent income instead of being shown under capital income. Further, the book value of the said asset amounting to Rs.630,000 had not been written-off from the financial statements and therefore, revenue contribution to capital outlay account and the fixed assets account had been overstated by a similar amount.

- (c.) Income from court fines relating to the year amounted to Rs.2,707,744 and it had been shown in the financial statements as Rs.3,500,000 thus overstating a sum of Rs.792,256.
- (d.) According to the schedules of accounts the value of land and buildings as at end of the year was Rs.24,710,238 and this had been shown in the financial statements as Rs.24,046,048 understating Rs.664,190.
- (e.) The balance of deposits as at end of the year amounted to Rs.3,040,689 and it had been shown in the financial statements as Rs.2,287,672 thus understating Rs.753,017.

### **1.3.2 Contingent Liabilities**

The contributions payable to the Local Government Pensions Fund by the Sabha in respect of the employees served in the Pradeshiya Sabha and retired had not been promptly paid and due to this the balance payable to the Fund as at end of the year under review amounted to Rs.495,632.

### **1.3.3 Unreconciled Control Accounts**

Difference amounting to Rs.2,690,969 were observed between the values of 14 items of accounts and the corresponding values of the relevant registers in respect of billing for the year under review receipts and opening balances.

### **1.3.4 Accounts Receivable and Payable**

The following observations are made.

- (a.) The value of balances of accounts receivable as at 31 December 2013 amounted to Rs.20,224,092 and of this, balances totaling Rs.4,185,330 were over one year.
- (b.) The value of balances of accounts payable as at 31 December 2013 amounted to Rs.21,446,545 and of this; balances totaling Rs.2,545,862 were over one year.

### **1.3.5 Lack of Evidence for Audit**

Transactions totaling Rs.7,731,769 could not be examined in detail due to non-submission of required information to audit.

### **1.3.6 Transactions Not Supported by Authority**

A sum of Rs.2,691,972 had been debited to the accumulated fund at 04 instances and a sum of Rs.1,631,791 had been credited to the accumulated fund at 02 instances during the year under review to tally the balances of 06 items of accounts and the balances of the relevant registers. A proper investigation had not been carried out and proper approval also had not been obtained in this connection.

## **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 2013 amounted to Rs.6,854,948 as compared with the excess of revenue over recurrent expenditure amounting to Rs.683,497 for the preceding year thus indicating an improvement in the financial results by Rs.6,171,451. The excess for the year under review had been decreased to Rs.2,248,623 when the capital income of Rs.23,695,530 and the capital expenditure of Rs.28,301,855 are adjusted to the said financial result.

### **2.2 Analytical Financial Review**

The following observations are made.

- (a.) A sum of Rs.27,813,516 representing 89% of the total recurrent revenue of Rs.31,359,108 of the Sabha for the year under review consists of non-generated receipts such as court fines, stamp fees, salary reimbursements etc. Further, a sum of Rs.13,635,630 representing 58% of the capital revenue of Rs.23,695,530 consists of money received from other institutions on sources like Gama Neguma, Wayamba Pubuduwa etc. for development activities of the area of the Sabha.

(b.) Out of the total recurrent expenditure amounting to Rs.24,504,160 of the Sabha for the year under review; 69% equivalent to Rs.16,829,409 was personal emoluments and of this; Rs.14,103,238 representing 84% had been reimbursed by the Commissioner of Local Government as salary reimbursements and had been accounted under other revenue. Further, capital expenditure amounted to Rs.28,301,855 and 64% of this equivalent to Rs.18,137,760 had been spent for development activities carried out from the provisions of other institutions under Gama Neguma, Maga Neguma etc.

## **2.3 Revenue Administration**

### **2.3.1 Performance of Revenue Collection**

Although there was no specific authority for collection of revenue such as trade licence fees, business tax, stall rent, and lease rent etc. at field; the Revenue Collectors of the Sabha had collected revenue such as rates and trade licence fees at field through-out the year.

### **2.3.2 Rates and Taxes**

According to Rule 32-42 of the Pradshsya Sabha (Financial and Administrative) Rules-1988, lists of arrears should be prepared quarterly property should be confiscated after issuing warrants and rates and taxes in arrears should be recovered. Nevertheless, the pages of the Register of Rates had been photo-copied and the relevant money had been collected at field without any warrant, instead of preparing lists of arrears. Accordingly, the Sabha had distributed 30 final notices for arrears amounting to Rs.100,789 relating to 02 streets and a sum of Rs.66,227 had been collected from 23 units of the above.

### **2.3.3 Business Tax and Trade Licence Fees**

Action had not been taken in terms of Rule 59-67 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988 to carry out a survey within the area of Sabha and to issue notices to the industry owners and traders in format 33.26B requesting to pay the tax levied within 07 days in terms of Section 150(1) and 152(1) of the Pradeshiya Sabha Act No.15 of 1987.

### **3. Operating Review**

#### **3.1 Management Inefficiencies**

The following observations are made.

- (a.) The land owned by the Sabha in which the Kobeygane Police Station is located had been vested with the Police and it was observed that there were no legal provisions for vesting property of the Sabha as above. Further, an assessment had not been obtained for this from the Department of Valuation and had not informed the Department of Local Government about this transaction. Subsequently, the above property had been vested with the Police for Rs.6,458,421 based on an assessment of Rs.5,000,000 of year 2010 including fines for delay and a sum of Rs.2,500,000 of the above money had been invested in fixed deposits and the entire balance of Rs.3,958,421 had been utilized for the day to day administrative activities of the Sabha.
  
- (b.) Conformity certificates had not been obtained even by end of the year under review in respect of all 114 building applications approved by the Sabha during the period 2008-2011. The Sabha had not taken any action; for non-obtaining extensions for the building licence or against occupying those buildings without conformity certificates. Further, the Sabha had not established provisions in respect of recovery of charges for conformity certificates and charges for delay.

### **4. Accountability and Good Governance**

#### **4.1 Budgetary Control**

A recurrent revenue of Rs.26,523,000 and a capital revenue of Rs.49,500,000 had been estimated by the budget for the year under review. However, only a sum of Rs.5,568,000 representing 20% of the recurrent revenue and a sum of Rs.31,714,000 representing 64% of the capital revenue had been recovered.

## 4.2 **Systems and Controls**

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Financial Control
- (d.) Revenue Administration
- (e.) Implementation of Projects