

Kobeigane Pradeshiya Sabha
Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 18 May 2015 while Financial Statements relating to the preceding year had been submitted on 29 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 25 August 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kobeigane Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) While there was balance of Rs. 24,080,238 according to the Register of Lands and Buildings for the year under review, a sum of Rs. 23,416,048 only had been accounted. Accordingly, Lands and Buildings valued at Rs. 664,190 had not been accounted.

- (b) Although the value of Library Books was Rs. 2,454,204 according to the accounts presented, according to the Board of survey Reports it had been Rs. 2,501,434. Due to that balance of Library Books had been understated in a sum of Rs. 47,230.

1.3.2 Contingent Liabilities

The Contributions Payable to the Pension Fund on behalf of the employees retired after serving the Sabha had not been made properly. Due to that, the balance payable to that Fund as at the end of the year under review had been Rs. 490,202. Although a sum at the rate of Rs.1,204 as monthly rate applicable to the Sabha was being recovered, Sabha was not aware of the particulars of the employees concerned with regard to such recovery.

1.3.3 Unreconciled Control Accounts

Non-reconciliations in a sum of Rs. 26,958,888 were observed between the accounts and relevant registers relating to 10 items of accounts under final balances of the year under review.

1.3.4 Accounts Receivable and Payable

- (a) Value of Accounts Receivable as 31 December 2014 was Rs. 27,791,085. Out of that, a sum of Rs. 639,317 as 2% approximately, was balances outstanding for more than 03 years.
- (b) Value of Accounts Payable as 31 December 2014 was Rs. 25,059,670. Out of that, a sum of Rs. 1,008,511 as 4% approximately, was balances outstanding for more than 03 years.

1.3.5 Lack of Evidence for Audit

A detailed examination could not be made with regard to transactions totaling Rs.277,097 due to non-submission of required information to audit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs. 925,430 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,854,948 indicating a decline of Rs.5,929,518 in the financial results. When Capital Grants of Rs. 25,140,416 and Capital Expenditure of Rs.25,386,091 are adjusted to this financial result, financial result relevant to the year under review had become a surplus of Rs. 679,755.

2.2 Analytical Financial Review

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.35,312,914 relevant to the year under review, a sum of Rs. 30,334,787 as 86% was consisting revenue not falling under a nature generated in the Sabha such as Court Fines, Stamp Fees and Salary Reimbursements. Similarly, the entire Capital Revenue of Rs.25,140,416 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
- (b) Out of the total Recurrent Expenditure of Rs. 34,387,484 relevant to the year under review, a sum of Rs. 20,210,619 as 59% approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 18,003,876 as 89% approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Other Revenue. Similarly, out of the Capital Expenditure of Rs. 25,386,091, a sum of Rs. 82,041 as 1% only had been spent from the Sabha Fund, while the balance 99% amounting to Rs. 25,304,050 were development works performed out of the provisions of other institutions such as Gama Neguma and Maga Neguma.

2.3 Revenue Administration

2.3.1 License Fees

While License Fees in arrears amounting to Rs.209,095 as at 01 January of the year under review had not been recovered even at the end of the year and there was no age analysis in this connection.

2.3.2 Other Revenue

(a) Although a sum of Rs.4,137,000 had been estimated as Charges for Services under Other Revenue during the year under review, the billing during the year had been Rs.2,505,212 as 60% approximately. The entire amount of billing amounting to Rs.2,505,212 as at the end of the year under review was in arrears.

(b) While Charges for Services at the beginning of the year under review was Rs.3,903,926, a sum of Rs.1,838,531 as 47% approximately had been recovered. The balance in arrears was Rs.2,065,395 as 53% approximately.

3. Operating Review

3.1 Idle and Under-utilized Assets

Fixed Assets at a book value of Rs. 370,850 had remained idle as at the end of the year under review.

4. 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.) Assets Management
- (e.) Garbage Management