

**Kurunegala 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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 27 July 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 Kurunegala Pradeshiya Sabha as at 31 December 2014 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 Decrease in Net Assets**

According to the financial statements presented, the position of Net Assets as at the end of the year under review was Rs.124,517,730, while Net Assets of the preceding year had been Rs.125,001,076 indicating a decrease in the Net Assets in a sum of Rs.483,346.

**1.3.2 Accounting Deficiencies**

Following accounting deficiencies are observed.

- (a) Pension Contributions of Local Government Service amounting to Rs. 656,928 of the past years, paid during the year under review had been accounted as expenditure of the year under review.
- (b) Foreign Travel Expenses amounting to Rs. 498,500 paid in respect of the ensuing year had been accounted as expenditure for the year, without recording as pre-payments.

- (c) Value of Rs. 20,237,345 of the Motor Vehicles and Carts Account at the end of the year under review included the value of a water browser amounting to Rs. 1,202,000 removed during the year 2012 and value of garbage carts amounting to Rs. 347,146 not available in the Sabha according to the Board of Survey Reports.

### **1.3.3 Non-reconciled Control Accounts**

Non- reconciliations in a sum of Rs. 5,194,494 were observed between the accounts and relevant registers relating to 02 items of accounts under final balances of the year under review.

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

- (a) Value of Receivable Accounts as at 31 December 2014 was Rs. 116,234,660. Age analyses relevant to those were not furnished.
- (b) While the value of Accounts Payable as at 31 December 2014 was Rs. 96,534,857, out of that Rs. 204,133, approximately as 0.2 per cent were balances brought forward over period of more than 3 years.

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

A detailed examination could not be made with regard to transactions totaling Rs.6,978,928 due to non-submission of required information to audit.

### **1.3.6 Non-compliance with Laws, Rules and Regulations etc.**

Action in terms of Financial Regulations 570 and 571 had not been taken with regard to 192 Lapsed Deposits valued at Rs. 1,462,304.

## **2. Financial Review**

### **2.1 Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs. 22,591,467 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 25,825,052. Accordingly there had been a decline of Rs. 3,233,585 in the financial results. When Capital Grants of Rs. 63,762,000 and Capital Expenditure of Rs. 89,518,070 are adjusted to this financial result, the financial results relevant to the year had become a deficit of Rs.3,164,603.

### **2.2 Analytical Financial Review**

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.125,969,483 relevant to the year under review, a sum of Rs. 102,253,709 as 81.17 per cent approximately, were revenue not falling under a nature generated in the Sabha such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, out of the Capital Grant of Rs. 63,762,000, a sum of Rs. 63,406,000 as 99.4 per cent approximately, was funds provided for development activities of the area through other institutions from sources such as Gama Neguma and Maga Neguma.
  
- (b) Out of the total Recurrent Expenditure of Rs.103,378,016 relevant to the year under review, a sum of Rs.46,267,908 as 44.75 per cent approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs.34,355,832 as 74.25 per cent approximately, had been provided by the Commissioner of Local Government as salary reimbursements, while that value had been accounted under Other Revenue. Similarly, out of the Capital Expenditure of Rs.89,518,070, only a sum of Rs.21,449,361 as 23.96 per cent approximately had been spent from the Sabha Fund while the balance amount of Rs. 68,068,709 as 76.04 per cent approximately were development activities performed on the basis of provisions of other institutions such as Gama Neguma and Maga Neguma.

## **2.3 Revenue Administration**

### **2.3.1 Rates**

Following observations are made.

- (a) While Rates in Arrears in Head Office Area of Authority of the Sabha relevant to the year under review had been Rs.2,614,894, annual billings had been Rs.3,556,318. Accordingly, the Rates in Arrears on the basis of billings had been 73.52 per cent approximately. These arrears had come down to Rs.1,738,280 as at June 2015.
  
- (b) While Rates in Arrears at the end of the year under review relevant to Wellawa Sub-Office Area of Authority of the Sabha had been Rs.5,232,284, billings relevant to the year had been Rs.4,809,317. Accordingly, the Rates in Arrears on the basis of billings had been 108.79 per cent approximately.

### **2.3.2 Acreage Tax**

While the balance of Acreage Tax in Arrears at the end of the year under review relevant to Wellawa Sub-Office Area of Authority of the Sabha had been Rs. 178,173, billings relevant to the year had been Rs. 19,000. Accordingly, the Acreage Tax in Arrears on the basis of billings had been 938 per cent approximately.

### **2.3.3 License Fees**

While the balance of Trade Licenses in Arrears at the end of the year under review relevant to Head Office Area of Authority of the Sabha amounted to Rs. 369,816 and the said arrears relevant to Wellawa Sub-Office Area of Authority of the Sabha amounted to Rs. 289,130, filing court action for recovery of those arrears in terms of Sections 150 (4) and 152 (4) of the Pradeshiya Sabha Act No.15 of 1987 had not taken place up to the end of the year under review.

#### **2.3.4 Surcharges**

Value of surcharges imposed by me against the persons responsible, in terms of Section 172 (3) of the Pradeshiya Sabha Act No 15 of 1987 due to be recovered as at 31 December of the year under review was Rs. 95,000.

### **3. Operating Review**

#### **3.1 Operational Inefficiencies**

Although it had been stated that the loan of Rs. 100,000 at 2.5 per cent interest granted to the General Association of Local Government Service Employees during the year 1999 will be settled after one year according to the relevant agreement, action had not been taken to get settled the loan, although the relevant agreement period had been nearly 15 years at the end of the year under review.

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

#### **4.1 Budgetary Control**

Although a sum of Rs.83, 500,000 had been estimated under Capital Revenue according to the Budget relevant to the year under review, out of that only a sum of Rs. 31,885,679 as 38 per cent approximately had been reached due to non-receipt of funds from the expected institutions.

#### **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.) Revenue Administration
- (d.) Assets Management