

Kuliyapitiya Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Submission of Financial Statements

The financial statements for the year 2019 had been presented to audit on 19 May 2020 and the Summary Report of the Auditor General on those financial statements on 30 June 2020 and the Detailed Management Audit Report on 22 July 2020 have been sent to the Chairman.

1.2 Qualified Opinion

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Kuliyapitiya Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) According to the generally accepted principles of accounting, the changes in estimates should be recognized as changes in the current year to the relevant income/expenses, overestimation of preceding year's court fines amounted to Rs. 827,499 and stamp duty amounted Rs. 32,834,885 had been identified as previous year changes.	Estimated changes should be considered for current year revenue and expenditure.	Adjustments for the year 2019 has also been made through the Accumulated Fund for the previous year as adjusted when preparing previous year accounts and actions will be taken to make adjustments to the current year in preparation of accounts in the year 2020.

- | | | | |
|------------|--|---|--|
| (b) | The value of completed works for 06 buildings developed during the year under review and preceding year amounting to Rs.4,909,127 had not been brought to accounts. | Actions should be taken to capitalize the constructions after completion of work. | Agreed. Actions will be taken to correct this in preparation of accounts for the year 2020. |
| (c) | A number of 328 items purchased during the year under review relating to various assets items valued at Rs. 1,583,176 had not been accounted for. | Arrangements should be made to account for the expenses related to the year accurately. | Actions will be taken to correct through journal entries in preparing the accounts for the year 2020 . |
| (d) | The cost of 44 items auctioned had not been removed from the financial statements as per the Annual Board of Survey Report as at 31 December 2018. | The cost of the items identified as auctioned should be removed from the accounts. | Actions will be taken to rectify through journal entries in preparation accounts of the year 2020. |
| (e) | The net realizable value of the stock of 1,107 empty tar barrels amounted to Rs.110,700 as at the end of the year under review had not been accounted for. | Stocks should be accounted for. | It has not been brought to accounts due to lack of information and actions will be taken to rectify through the journal entries in the year 2020 . |
| (f) | The value of the works done on the construction of volleyball court in the premises of the Pradeshiya Sabha amounted to Rs.1,555,008 had not been brought to accounts. | All the assets should be properly accounted for. | Agreed. Actions will be taken to rectify through the journal entries in preparation the accounts of the year 2020 . |
| (g) | The value of work done for the canteen in the premises of the Pradeshiya Sabha amounted to Rs.2,160,000 had not been accounted for. | All the assets should be properly accounted for. | Agreed. Actions will be taken to rectify through the journal entries in preparation of the accounts of the year 2020 . |

- | | | | |
|-----|--|---|---|
| (h) | Four large plots of lands 01 acre 27.72 perches in extent received to the Sabha through land auctions had not been accounted for. | All the assets should be properly adjusted to the accounts. | The deeds pertaining to these lands had not been received and actions will be taken to correct through journal entries when preparing accounts of the year 2020 . |
| (i) | There was a difference of Rs.37,504,441 in between the balances as per the financial statements and the balances as per the primary books in 05 account items remained as at the end of the year under review. | Actions should be taken to correct the account by reconciling the differences with the relevant balances. | <p><u>Plant and Machineries</u>
There is a difference of Rs.829,798.28 as per the schedule and financial statement.</p> <p><u>Motor vehicles and carts</u>
A difference remaining for several years.</p> <p><u>Furniture and Fittings</u>
Actions will be taken to correct this in the preparation of accounts for the year 2020 .</p> <p><u>Sundry Creditors</u>
Actions will be taken to find and correct the difference between the schedule of the creditors and the value in the financial statement .</p> |
| (i) | Detailed schedules had not been submitted pertaining to 07 accounting items valued at Rs.401,367,671 . | Detailed schedules should be submitted. | Arrangements will be made to obtain and submit detailed schedules in preparing the accounts for the year 2020 . |

1.4 Non-compliances

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

Instances of Non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

References to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Decisions of Provincial Cabinet of Minister				
Decision No. 6/1 / 403/ 2014/37 of the North Western Meeting of Provincial Cabinet of Ministers held on 01April 2014	130,689	A sum of Rs.36,000 and Rs.72,000 for the Communication allowance and a sum of Rs.35,915 and Rs.22,774 for settling telephone bills had been paid to the Chairman and the Vice-Chairman respectively in the year 2019.	Since the Communication allowances are paid for telephone and internet facilities and also an allowance and reimbursement cannot be made for the same expense, inquiries should be made from the Commissioner of Local Government and determined.	On the approval of the members of all Local Government Institutions in the North Western Province to pay a communication allowance of Rs.3,000, the communication allowance of Rs.72,000 for the year 2019 has been paid to the Chairman/Vice Chairman . It is stated that all members are eligible for that. In addition, the Chairman and the Deputy Chairman of the Local Government Institution were eligible for maximum of

Rs. 3,000 and a Rs. 4,500 respectively from the year 2008. It was not mentioned in the above gazette notification that it has been cancelled and so far, the allowance has been paying to the Chairman/Vice Chairman for a long time, it is mentioned that the expenditure of Rs.35,915 and Rs.22,774 has been made in accordance with the circular and the Sabha approval has been obtained for each of these payments.

**(b) Public
Administration
Circular**

Circular No.
30/2016 dated 29
December 2016

The fuel combustion test of the vehicles had not been carried out.	Fuel combustion tests should be carried out periodically.	Because of the vehicles have been driven out on the day of fuel testing, it has been impossible to conduct the fuel testing. Actions will be taken to carry out fuel tests as soon as possible.
--	---	---

02. Financial Review

2.1 Financial Results

The income over the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs. 55,230,883 and the corresponding income over the recurrent expenditure after making corrections of the preceding year and reissued was Rs.31,796,470 as per the financial statements presented.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income Actual Income and Arrears Income

The information on estimated income, billed income collected income and arrears income submitted pertaining to the year under review and the preceding year are shown below.

Source of Income	<u>Year 2019</u>				<u>Year 2018</u>			
	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December
	Rs..	Rs.	Rs.	Rs	Rs.	Rs	Rs	Rs
-----	-----	-----	-----	-----	-----	-----	-----	-----
Rates and Taxes	2,212,665	2,893,830	2,800,839	575,065	1,890,800	2,357,687	2,570,084	501,224
Lease Rent	7,103,400	9,475,836	9,449,207	3,503	6,451,260	8,287,310	8,238,179	75
License fees	717,000	1,236,478	1,236,478	-	619,000	843,541	843,541	-
Other Income	204,492,000	177,607,740	214,564,157	147,859,442	158,190,200	174,447,606	147,922,921	185,057,236
Total	<u>214,525,065</u>	<u>191,213,884</u>	<u>228,050,681</u>	<u>148,438,010</u>	<u>167,151,260</u>	<u>185,936,144</u>	<u>159,574,725</u>	<u>185,558,535</u>

2.2.2 Rates and Taxes

(a) Rates

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs.71,600 for more than 03 years had remained within the balance of rates amounted to Rs.247,320 at the end of the year under review.	Actions should be taken to recover the arrears.	Out of the arrears of rates at the end of the year under review a sum of Rs.90,578 has been recovered at the end of the first quarter of 2020 .

(b) Acreage Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
There was sum of Rs.301,052 remaining for more than 03 years within the acreage tax balance of Rs. 327,745 as at the end of the year under review.	Actions should be taken to recover the annual bills and arrears income as per the Rules of the Pradeshiya Sabha Act .	A sum of Rs.9,411 has been recovered by the end of the first quarter of 2020 out of the acreage taxes remained receivable by the end of the year under review.

2.2.3 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
The court fines receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.13,902,623 and the stamp fees was Rs.121,748,054. Out of the court fines and stamp fees receivable, a sum of Rs.35,821,969 had yet to be recovered.	Actions should be taken to recover the accounts receivable.	Out of the court fines receivable, a sum of Rs.8,979,980 and arrears of stamp fees amounted to Rs.44,801,949 has been received during the first 4 months of the year and necessary arrangements are being carried out to collect the rest of the fees receivable.

03. Operating Review

3.1 Performance

The matters revealed in respect of executing of functions that should have been performed by the Sabha such as regulation, control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 3 of the Pradeshiya Sabha Act are as follows.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although by-laws had to be enacted under Section 126 of the Pradeshiya Sabha Act to fulfill 30 main matters, by-laws had been enacted for 10 sub-matters even by 31 December 2019 and by-laws had been enacted for 42 sub-matters by adopting of the approved by-laws.	----- Actions should be taken in accordance with enacted / adopted the by-laws and to enact by-laws as required by the Sabha.	----- The Kuliypitiya Pradeshiya Sabha has adopted the by-laws covering 42 sub –matters by adopting the approved by-laws and in addition to that, by-laws are being enacted and implemented to cover 10 other sub-matters and are currently being drafted a by-law to minimize and control within the sources of Biodegradable waste itself in the Sabha jurisdiction area .

(b) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Aligning the budgeted programmes pertaining to the year under review with the Sustainable Development Goals and the progress had not been measured identifying targets and measurement indicators precisely.	----- Arrangements should be made to identify the objectives related to the 17 Sustainable Development Goals and prepare the budget accordingly.	----- In preparing the 2020 Budget, the programmes have been aligned with the Sustainable Development Goals and Objectives.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A sum of Rs. 51,890,292 for more than one year and less than 03 years and a sum of Rs.376,652 for more than 03 years had remained unrecoverable from the balances of the accounts receivable as at 31 December 2019 .	Actions should be taken to recover the balances receivable furthermore.	Necessary arrangements will be made to recover the balances remained receivable as at 31.12.2019 .
(b) Actions had not been taken to settle a balance of Rs. 2,539,765 for more than one year and less than 03 years and Rs.1,188,611 for more than three years from the accounts payable as at 31 December 2019 .	Actions should be taken to settle the balances payable.	Comments have not been given.

3.3 Human Resources Management

(a) Employee Vacancies and Excesses

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was one vacancy for tertiary category, 13 vacancies for secondary category, 04 vacancies and 01 excess and 01 vacancy for primary category. Twenty-four employees were employed on a casual and contract basis.	As per the requirement analysis, only the essential recruitments should be made.	It is agreed for approved staff of 146 and actual staff of 156. It has been sent to the Department of Management Services to get approved the excess post. The Sabha has recruited 24 employees

on casual and contract basis with the approval of the Commissioner of Local Government on the Decisions of the Monthly General Assembly for essential services in carrying out the day to day activities of the Pradeshiya Sabha.

(b) Staff Loans

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The employee loan balances receivable from 24 officers was Rs.1,123,168 due to transfers, deaths, resignations and retirements.	Actions should be taken to recover.	It has been informed by letters to recover the balances which does not have a way to find information to recover.