

Kirinda Puhulwella Pradeshiya Sabha
Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 20 July 2015 while Financial Statements relating to the preceding year had been submitted on 30 September 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 29 September 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 Kirinda Puhulwella 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 Accounting Policies

Notes relating to Accounting Policies followed and assumptions made in preparation of accounts had not been submitted with the financial statements presented for the year under review.

1.3.2 Accounting Deficiencies

Following matters are observed.

- (a) Although value of 03 Lands amounting to Rs. 130,000 had been recorded in the Register of Fixed Assets, it had not been accounted under Fixed Assets in the financial statements for the year under review.

- (b) Although the old building valued at Rs. 45,000 where Kirinda Puhulwella Village Council was located had been demolished and removed during the year 2013, that property had not been removed from the Assets Account.
- (c) When accounting the value of Furniture and Equipment purchased during the year under review, it had been recorded on the basis of the quotations called for. Due to that, value of Furniture and Equipment had been overstated in a sum of Rs. 19,091 in the accounts.
- (d) The value amounting to Rs. 3,900 of the Sub-Woofer Machine purchased by the Sabha on 10 September 2014 had been accounted as Rs, 39,000. Due to that, value of Furniture and Equipment had been overstated by Rs.35,10 0. The value of the Projector Screen Machine purchased amounting to Rs. 11,250 on the same date had been omitted in the Machinery and Equipment Account.
- (e) The value amounting to Rs. 71,640 of 5 Office Tables purchased from a private institution on 26 October 2014 by the Sabha had been accounted twice. Due to that value of Furniture and Fittings had been doubled to that extent.
- (f) The value of Drum Truck Vehicle No. LL-6918 received from the Ministry of Local Government on 20 December of the year under review had not been assessed and shown under Motor Vehicles and Carts Account. The Tractor Trailer valued at Rs. 265,000 shown under Motor Vehicles and Carts of the Sabha was not available to be seen physically.
- (g) Although the Value of Stamps Stock in hand as at 31 December of the year under review was Rs. 6,262, it had not been accounted under stock in hand.
- (h) Security Money of 7 Employees of the Sabha amounting to Rs.23,362 had not been accounted under Employees Security Deposits and Employees Security Investments.
- (i) Industrial and Business Tax value of Rs. 412,440 billed during the year under review had not been accounted as an income and out of the sum of Rs. 8,480 received during the year had been deducted from that value and the balance had been accounted as a receivable amount under debtors.

- (j) Although there were balances totalling Rs. 26,550 according to the Deposits Register of the Sabha, those balances had been omitted from the financial statements.
- (k) While 10 Mobile Trade Booths had been received as donations from the Ministry of Provincial Councils and Local Government, value of those had not been assessed and accounted in the financial statements.

1.3.3 Unreconciled Control Accounts

While the total of balances relevant to 10 items of accounts according to financial statements was Rs. 6,932,801, according to the subsidiary registers and information furnished total of those accounts had been Rs. 7,236,123 indicating a difference of Rs. 303,322.

1.3.4 Accounts Receivable and Payable

Following matters are observed

- (a) Value of Balances Receivable that had been outstanding for more than a year as at 31 December 2014 was Rs. 305,955.
- (b) Value of Balances Payable that had been outstanding for more than a year as at 31 December 2014 was Rs. 33,421,267.
- (c) Four Account Balances amounting to Rs. 577,478 shown in the financial statements as at 31 December of the year under review were being brought forward since the year 2006 without being settled.

1.3.5 Lack of Evidence for Audit

Age Analysis Reports, Assets Survey Reports etc. relevant to 07 items of accounts valued at Rs. 73,659,491 shown in the financial statements were not submitted to audit.

1.3.6 Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with Laws, Rules, Regulations observed in audit are shown below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) <u>Pradeshiya Sabha (Finance and Administration) Rules - 1988</u>	
(i.) Rule 193	A statement showing reasons for the surpluses and deficits had not been submitted having compared the Budgeted and Supplementary Votes Expenditure with the actual expenditure.
(ii.) Rules 217, 218	Action had not been taken to inspect all Lands and Buildings utilized and used for occupation by the Sabha at least once a year.
(b) Treasury Circular No. IAI/2002/02 Dated 28 November 2002 of the Secretary to Treasury	A Fixed Assets Register had not been maintained for Computer Accessories and Software.

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 had been Rs.412,336 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 751,256 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

Items of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	697	1,309	661
Lease Rents	905	1,688	119
License Fees	247	151	209
Other Revenue	4,755	5,540	1,757

2.2 Rates

While the value of Rates in Arrears as at the beginning of the year under review was Rs.576,131, recoveries out of that amount had been Rs. 162,065. Accordingly, recovery percentage out of arrears was 28 percent. While billings relevant to the year under review amounted to Rs. 425,989, recoveries out of billings had been Rs. 168,825. Accordingly, recovery percentage out of billings for the year under review was 40 percent.

3. Operating Review

3.1 Human Resources Management

Information relating to Cadre of the Sabha as at 31 December 2014 is shown below.

Category of Employees	Approved	Actual	Excess
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Executive	01	01	-
Secondary	20	24	04
Primary	20	23	03
(Casual, Temporary, Contract basis)	-	09	09
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	41	57	16
	=====	=====	=====

Although it had been informed vide Management Services Circular No. 14 dated 09 January 2002 of the Secretary to the Treasury and Circular No. 28 dated 10 April 2006 of the Secretary to the Ministry of Finance and Planning that recruitments in Local Authorities on the basis of temporary, casual substitute or other basis should be suspended immediately, it was observed that the Pradeshiya Sabha had paid salaries amounting to Rs. 1,820,639 out of the Sabha Fund for 09 employees recruited without approval during the year 2014.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed that the Budget had not been made use of as an effective tool of financial management as material variations were observed between estimated revenue and expenditure according to the budget presented for the year under review and the actual revenue and expenditure.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management