

Kuliyapitiya Pradeshiya Sabha

Kurunegala District

01. Financial Statements

1:1 Presentation of Financial Statements

Financial statements of the year under review had been presented to audit on 31 March 2011 and the financial statements for the preceding year had been presented for the audit on 01 July 2010.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Kuliyapitiya Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:3 of this report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kuliyapitiya Pradeshiya Sabha as at 31 December 2010 and the financial results of its operations for the year than ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

(a) The amount payable to the Pensions Fund as at the end of the year under review had been overstated by a sum of Rs.4,832,276.

(b) The sum of Rs.232,560 being the billed amount of pensionary contribution for the year under review had not been adjusted to the accounts.

1:3:2 Unreconciled Control Account

The balances of 09 items of account according to the Control Accounts totalled Rs.54,795,100 whereas according to the Subsidiary registers / records those balances totalled Rs.64,285,155.

1:3:3 Suspense Accounts

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The credit balances of the accounts of suspense nature as at 31 December 2010 amounted to Rs.3,977.

1:3:4 Accounts Payable

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The value of the balances of accounts payable older than 01 year as at 31 December 2010 amounted to Rs.6,592,119.

1:3:5 Non-compliances

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The limits on the fuel allowable per mensum per each motor vehicle of the Sabha had not been determined in terms of the Circular 99/01 of 25 August 1999 of the Commissioner of Local Government (Wayamba).

2. Financial and Operating Review

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2:1 Financial Result

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According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.40,610,717 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.26,218,717 for the preceding year.

2:2 Financial Control

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(a) The balance of Rs.142,560 relating to the Ceylon Electricity Board Account shown under the revenue debtors as at the end of the year under review had not been identified and settled.

(b) Action in terms of the provisions of Financial Regulation 396 of the Republic of Sri Lanka had not been taken on 34 cheques valued at Rs.108,940 issued from a Bank Account and remaining unrepresented for payment over a period exceeding 06 months.

- (c) Follow up action had not been taken on cheques valued at Rs.2,044 deposited in a Bank Account and remaining without being realized.
- (d) Action in terms of Financial Regulations 189 and 486 of the Republic of Sri Lanka had not been taken on dishonoured cheques valued at Rs.551,121 relating to 03 Bank Accounts.

## 2:3 Revenue Administration

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### 2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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Information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year presented by the Chairman is given below.

Item of Revenue	2010			2009		
	Estimated	Actual	Cumulative Arrears as at 31 December	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	3,581	302	417	367	311	512
(ii) Lease Rents	5,685	3,650	26	6,134	3,340	265
(iii) Licence Fees	711	733	70	741	661	108
(iv) Other Revenue	39,935	78,181	--	54,191	55,678	--
<b>Total</b>	<b>49,912</b>	<b>82,866</b>	<b>513</b>	<b>61,433</b>	<b>59,990</b>	<b>885</b>

### 2:3:2 Courts Fines

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Fines amounting to Rs.27,263,036 recovered by a Magistrate's Court up to 31 December 2010 under various Ordinances remained receivable by the Sabha.

### 2:3:3 Stamp Fees

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Stamp fees amounting to Rs.36,886,760 remained receivable as at 31 December 2010 from the Registrar General.

2:3:4 Rates

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The arrears of rates of the Head Office and the Horombawa Sub-office as at the end of the year under review amounted to Rs.155,019. The clerk in charge of the rates had not prepared the lists of persons defaulting the tax and the Registrar of Distraining Warrants at the end of each quarter in terms of Rule 33 of the Pradeshiya Sabha (Financial and Administration) Rules 1988 and submitted for the signature of the Chairman. In addition, the provisions for the recovery surcharges on this arrears of rates had not been published in the Gazette in terms of Section 161(1) of the Pradeshiya Sabha Act, No. 15 of 1987.

2:3:5 Lease of Assets of the Sabha

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Six meat stalls, 08 fish sales spots and 23 lease properties of the Sabha with a minimum bid of Rs.388,846 could not be leased out for the year under review due to the lack of lessees. Action in terms of the Circular No.1/අම/මහලු/2001 dated 03 January 2001 of the Commissioner of Local Government had not been taken in this connection.

2:3:6 Lease of Trade Stalls at the Bus Stand

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Even though the leasing out of 12 trade stalls of the Katupotha Bus Stand had been offered over and over again at the lowest bid of Rs.60,000, those could not be leased out as there were no bidders.

2:3:7 Acreage Tax

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The balance of the Acreage Tax outstanding as at the end of the year under review amounted to Rs.262,002. According to the Register of Acreage Tax, out of the 204 properties subject to the tax, 105 properties had arrears older than 01 year. Action had not been taken in terms of Sections 158 and 159 of the Pradeshiya Sabha Act, No. 15 of 1987 and the Rules 33 to 41 of the Pradeshiya Sabha (Financial and Administration) Rules 1988.

2:4 Expenditure Structure

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The budgeted and the actual expenditure of the Sabha for the year under review and the preceding year together with the variance are given below.

Item of Expenditure	2010			2009		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Personal Emoluments	23,897	25,467	(1,570)	24,162	23,936	226
Others	14,781	16,790	(2,009)	15,131	9,838	5,293
Sub-total	38,678	42,257	(3,579)	39,293	33,774	5,519
Capital Expenditure	13,527	89,495	(75,968)	29,051	37,050	(7,999)
Grand Total	52,205	131,752	(79,547)	68,344	70,824	(2,480)

## 2:5 Human Resources Management

### 2:5:1 Approved and Actual Cadre

- (a) Information on the approved and the actual cadre of the Sabha as at 31 December 2010 had been as below.

<u>Grade of Employees</u>	<u>Approved</u>	<u>Actual</u>
Executive	02	02
Secondary	52	47
Primary	40	37
Other (Casual, Temporary)	--	03

## 2:6 Assets Management

### 2:6:1 Idle and Underutilized Physical Resources

The concrete block making machine purchased for Rs.130,862 on 05 February 2005 had not been used for making concrete blocks up to the end of the year under review due to reasons such as the lack of provisions, non-preparation of the block making yard, etc.

2:6:2 Accounts Receivable

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The value of the balances of accounts receivable as at 31 December 2010 amounted to Rs.1,425,973 and an age analysis thereon was not furnished.

2:6:3 Staff Loans Recoverable

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The outstanding balances of staff loans and advances recoverable as at 31 December 2010 totalled Rs.141,761 and represented balances continuing in arrears period exceeding 03 years.

2:7 Identified Losses and Damage

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A sum of Rs.553,551 had been paid as penalty for the failure to remit the Value Added Tax and Stamp Duty for the period May 2008 to July 2009 to the Commissioner General of Inland Revenue on the due dates.

2:8 Transactions of Contentious Nature

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Even though the village Kithalawa in the area of authority of the Sabha had been gazetted as a developed village on 22 November 1996 the rates billed for the area up to 31 December 2006 amounting to Rs.48,865 had to be written off in the year under review with the approval of the Commissioner of Local Government due to the failure to obtain the approval of the Commissioner of Local Government and to Minister in Charge of the subject for the Gazette Notification.

2:9 Operating Inefficiencies

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The contributions payable by the Sabha to the Local Government Service Pension Fund for the Officers who had retired from the service of the Sabha had not been paid by the Sabha and as such the balance payable to that Fund as at the end of the year under review amounted to Rs.984,436. Even though that Fund had been recovering a monthly installment of Rs.19,364, the officers relating to that contribution had not been brought to the notice of the Sabha.

2:10 Maintenance of Books and Registers  
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- (a) Stationery and office goods valued at Rs.47,855 purchased in 04 instances after November 2010 had not been recorded in the Stock Books up to end of the year under review.
- (c) Even though a sum of Rs.1,248,240 had been spent in the year under review on carrying out repairs to street lights, a register for identifying the locations of those street lights had not been maintained in the year under review.
- (d) The Register of Cheques, the Expenditure Register, the Register of Rates and Acreage Tax and the Registers of Debtors and Creditors relating to the year under review had not been maintained properly. The settlement of advances granted prior to the year 2009 had not been recorded in the Register of Advances.

2:11 Performance  
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- (a) Five works costing Rs.1,800,000 estimated with sources of funds from the Courts fines and stamp fees had not been carried out by adducing various reasons.
- (b) Seven welfare activities costing Rs.975,000 planned for carrying out through the budget for the year under review had not been carried out.

2:12 Internal Audit  
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An adequate internal audit of the institution had not been carried out.

03. Systems and Controls  
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Special attention is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Financial Control
- (c) Revenue Control
- (d) Assets Management
- (e) Contract Administration