

Kurunegala Pradeshiya Sabha

Kurunegala District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 29 March 2011. The report of the Auditor general for the year was issued to the Chairman of the Sabha on 12 September 2012.

1:2 Opinion

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Kurunegala Pradeshiya Sabha for year ended 31 December 2011 presented for audit.

1:3 Comments on Financial Statements

1.3.1 Lack of Evidence for Audit

Non – Submission of Information for Audit

Transactions totalling Rs. 216,407,657 could not be satisfactorily Vouched in audit due to the non - submission of required information to audit.

2. Financial and Operating Review

2:1 Financial Result

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.28,010,654 as compared with the excess of revenue over recurrent expenditure amounting to Rs.13,427,594 for the preceding year.

2:2 Financial Control

The following deficiencies in financial control were observed.

- (a) Five works creditors' balances amounting to Rs. 3,223,380 existing for over 03 years had not been settled even as at end of the year under review.
- (b) According to the Bank Reconciliation statement for the month of December of the year under review, action had not been taken in terms of the provisions of the financial regulation in respect of 04 dishonoured cheques valued at Rs. 38,775 in respect of a bank account.
- (c) A sum of Rs. 77,123 recovered from the salaries of the employees of the Sabha and donated by members to donate to the Nations Building fund had been kept in the general deposits account for about 02 year, without being remitted to the said fund.

2:3 Revenue Administration

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

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	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	1,809	1,782	2,018
(ii) Lease Rents	2,160	1,984	628
(iii) Licence Fees	3,205	2,688	680
(iv) Other Revenue	66,363	60,336	7,339

2.3.2 Court Fines and Stamp Fees

Accounts receivable as at 31 December 2011 from the Chief Secretary of the provincial Council and other authorities are given below.

	Rs.
(i) Court Fines	473,124
(ii) Stamp Fees	6,000,000

2.3.3 Trade Licence Fees

Trade licence fees outstanding as at end of the year under review amounted to Rs.886,621 and action had not been taken to recover the money due in terms of section 150(4) of the Pradeshiya Sabha Act No 15 of 1987 and the Rule No 66 of the Pradeshiya Sabha (Financial and Administration) Rules.

2.4 Idle and Underutilized Physical Resources

There were non-moving current assets valued at Rs. 2,092,333 existing for over 03 years in respect of 05 items of accounts.

2.5 Irregular Transactions

Reports on housing property development and block – out and sale of lands which should be submitted in terms of Section 15(3) of the Notice published in the Gazette No 1317 dated 28 December 2003 to make easy the payment of 1% tax payable to the Sabha under block – out and sale of lands in terms of Section 154 of the Pradeshiya Sabha Act No 15 of 1987, had not been submitted in respect of 18 lands blocked – out during 2011. Out of the 1% tax of the assessed income on 04 lands, a sum of Rs. 606,251 had not been recovered even as at end of the year under review.

2:6 Human Resources Management

The following observations are made.

- (a) According to the cadre approved by the Department of Management Services, the No of Librarian posts approved for the Sabha was 03 and 01 post remained vacant during the year under review. Similarly, only 18 permanent Road Labourers had been in service, though the approved No of Road Labourer posts was 25 in the meantime 10 casual and substitute

employees had been employed on the basis of payment of salaries from the Sabha fund.

- (b) The approved cadre for the posts of Labourer, Watcher, Driver etc. was 44, which actual No of labourers employed under those posts was 37. But, 28 employees had been recruited on casual / substitute basis under the above posts names as at the end of the year under review and their salaries had been paid out of the Sabha fund.

2.7 Operating Inefficiencies

- (a) Contributions payable to the Local Government Pensions Fund by the Sabha in respect of the employees retired from the service of the Sabha had not been properly paid. Therefore the balance payable to the said fund as at end of the year under review amounted to Rs. 5,255,450.

- (b) A corporate plan had not been prepared for the institution.

2.8 Internal Audit

An adequate internal audit had not been carried out.

3 Systems and Controls

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

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