

**Kirinda Puhulwella Pradeshiya Sabha**

**Matara District**

**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 30 September 2014 and the financial statements for the preceding year had been presented on 07 May 2013. The report of the Auditor General for the year under review was furnished to the Chairman of the Sabha on 19 December 2014.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kirinda Puhulwella Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

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- (a) According to Circular No. PED/54 of 19 January 2010 of the Director General of Public Enterprises, the Local Authorities should prepare financial statements in accordance with the Sri Lanka Public Sector Accounting Standards from 01 January 2011. Nevertheless, those Standards had not been followed.
- (b) The cash flow statement had not been presented along with the financial statements of the year under review.

**1.3.2 Accounting Deficiencies**

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The following deficiencies are observed.

- (a) Even though the old building of the Kirinda Puhulwella Gam Sabha Office had been demolished in the year 2013, those properties had not been eliminated from the relevant Assets Account.

- (b) In accounting income from rates in the year under review, a sum of Rs.306,121 received for the year had been brought to account instead of being credited the billing income amounting to Rs.458,674 to the Income and Expenditure Account.
- (c) In accounting income from acreage tax in the year under review, only a sum of Rs.9,847 received had been brought to account instead of being credited the billing income amounting to Rs.12,532 to the Income and Expenditure Account.
- (d) Even though outstanding stall rents amounting to Rs.1,810,849 for the period from 01 October 2009 to 31 October 2012 had been written off in the year under review in terms of Section 182 of the Pradeshiya Sabha Act No. 15 of 1987, that write off had not been brought to account in the financial statements.
- (e) A sum of Rs.180,000 recovered from the Members of Parliament for motor bicycles granted to them in the year under review had not been debited to the Salaries and Allowances Account and credited to the Other Grants Account. As such, expenditure and income of the year had been understated in the accounts by the same amount.
- (f) A sum of Rs.61,233 payable to the Commissioner General of Inland Revenue relating to the preceding years had not been brought to account as creditors.
- (g) The value of the stamp fees for the year 2012 amounted to Rs.2,000,000 and a sum of Rs.3,290,498 thereon had been received. Even though the under provisions amounting to Rs.1,290,498 should be adjusted with the Accumulated Fund, it had not been so done.

### **1.3.3 Unreconciled Control Accounts**

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According to the financial statements relating to 07 Items of Accounts, the total of the balances had been Rs.4,011,138 and according to the supporting documents and information made available, the total of the balances of accounts had been Rs.2,167,398 thus indicating a difference of Rs.1,843,740.

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

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- (a) The total of the balances of accounts receivable for over 01 year as at 31 December 2013 amounted to Rs.421,235.
- (b) The total of the balance of accounts payable for over 01 year as at 31 December 2013 amounted to Rs.50,768,719.

### 1.3.5 Lack of Evidence for Audit

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Evidence in respect of 12 items of accounts valued at Rs.102,486,591 had not been made available to audit.

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

Instances of non-compliance with following laws, rules and regulations observed in audit are given below.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
(a) Pradeshiya Sabha (Finance and Administration) Rules - 1988	
Rule 33	The clerks in charge of the rates had not prepared the lists of persons defaulting the rates and warrants in prohibition of properties at the end of each quarter and submitted for the signature of the Chairman.
Rule 217-218	Even though the lands and buildings belonging to the Sabha should be verified annually, it had not been so done for the year under review.
(b) Circular No. 2002/02 of 28 November 2002 of the Secretary to the Treasury	A Register had not been maintained for computers and accessories purchased by the Sabha.

### 1.3.7 Transactions without Authority

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Even though any expense not exceeding a total of Rs.1,000 per year incurred by the Pradeshiya Sabha should be made with the prior approval in writing of the Minister in terms of Section 132 (a) of the Pradeshiya Sabha Act, No. 15 of 1987, contrary to it, a sum of Rs.25,000 had been paid on 21 November 2013 for the Assumption of Office by His Excellency the President.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.751,256 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.606,453 for the preceding year.

### 2.2 Revenue Administration

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#### Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Items of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.000	Rs.000	Rs.000
Rates and Taxes	2,672	560	527
Lease Rents	1,340	854	2,237
License Fees	237	144	170
Other Revenue	1,314	1,293	43,943

Even though the Secretary should act as the Chief Administrative Officer in terms of 9(2) of the Pradeshiya Sabha Act, No.15 of 1987 to recover the arrears of revenue mentioned above and in terms of Section 158(1)(b) of the same Act in respect of rates and taxes, it had not been so done.

### 2.3 Court Fines and Stamp Fees

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The Registers had not been maintained so as to identify court fines and stamp fees separately, receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities.

### 3. Operating Review

#### 3.1 Operating Inefficiencies

- (a) A sum of Rs.954,325 to be remitted to the Commissioner General of Inland Revenue by the Sabha, had been retained in the Sabha Fund since a number of years.
- (b) The duty of purchases of stamps and entering them in a register had been assigned to the Karyala Karya Sahayake of the Sabha and the Register of Stamps had not been supervised by a responsible officer. Moreover, stocks of stamps valued at Rs.19,200 purchased by 07 vouchers in the year 2013 had not been entered in the Register.

#### 3.2 Irregular Transactions

An allowance of Rs.438,00 had been paid to six members of the Sabha in the year 2013 for 12 meetings of the Sabha in the year and a sum of Rs.89,500 had been paid as members allowances to two members who had not attended the meetings of the Sabha contrary to provisions (1)(ii) of Rule 3 of the Gazette Extraordinary No.1413/15 of 05 October 2005 of the Chief Minister of the Southern Province and the Minister in charge of the subject of Local Government.

#### 3.3 Human Resources Management

Particulars on the cadre of the Sabha as at 31 December 2013 are given below.

Category of Employees	Approved	Actual	Excess
Executive	02	03	01
Secondary	20	20	-
Primary	19	19	-
(Casual, Temporary, Contract basis)	-	06	06
	41	48	07

Even though it had been notified that the recruitments made on temporary, casual, substitute and contract or any other basis by Local Authorities should be suspended immediately in terms of the Management Service Circulars No.14 of 03 January 2002 of the Secretary to the Treasury and No.28 of 10 April 2006 of the Secretary to the Ministry of Finance and Planning, a sum of Rs.664,052 had been paid in the year 2013 to 07 employees so recruited by the Pradeshiya Sabha.

#### 4. Accountability and Good Governance

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##### 4.1 Presentation of Financial Statements

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The financial statements for the year under review had been presented to audit on 30 September 2014.

##### 4.2 Budgetary Control

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According to the budget presented for the year under review, the following variances were observed between the estimated income and expenditure and the actual income and expenditure of the year.

<u>Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage of</u>
	Rs.000	Rs.000	Rs.000	<u>the Variance</u>
Rates and Taxes	2,672	560	2,111	79
Rent	1,340	854	486	36
Licence Fees	237	144	92	39
Service Charges	155	1,649	1,494	964
Warrant Charges	117	16	101	86
Other Revenue	3,910	2,594	1,316	34
<u>Expenditure</u>				
Travelling Expenses	283	404	121	43
Supplies and Equipment	1,853	1,305	547	30
Transport, Utility and Other Services	1,009	735	273	27
Aid, Contributions and Subsidies	335	204	130	39
Pensions, Pensionary Benefits and Gratuities	401	226	175	44

As such, it was observed that the budget had not been made use of as an effective instrument of financial control.

#### **4.3 Audit and Management Committee**

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Audit and Management Committees had not been conducted.

#### **5. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management