

Kurunegala Pradeshiya Sabha  
Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 31 March 2016. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 29 September 2017.

1.2 Qualified 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 Kurunegala Pradeshiya Sabha as at 31 December 2016 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 Deficiencies

The following matters were observed.

- (a.) Industrial debtors valued at Rs. 10,165,200 had been omitted in the financial statements.
- (b.) Debtors of the industrial administration expenditure valued at Rs. 135,612 had been omitted in the financial statements.
- (c.) The value of the Toyota Double Cab, amounting to Rs. 7,900,000 had not been shown in the financial statements.
- (d.) Library books valued at Rs. 707,573 purchased and received as donations during the year under review, had been accounted twice.
- (e.) The stock of stationeries as at the end of the year under review had been understated by a sum of Rs. 166,107 in the financial statements.
- (f.) The stock of electric items as at the end of the year under review had been understated by a sum of Rs. 168,447 in the financial statements.
- (g.) The arrears of Rates as at the end of the year under review had been overstated by a sum of Rs. 16,721,705.
- (h.) The contribution of Rs. 373,150 to the W&OP paid directly by the Department of Local Authority from the salaries of the years 2013 and 2014 of the Development Officers, had been shown as receivable reimbursement of salaries in the financial statements.
- (i.) The reimbursement of salaries of the Development Officers in the preceding year, had been overstated by Rs. 725,259 in the financial statements.
- (j.) The land of the crematorium in Maspotha, valued at Rs. 12,649,406 had not been shown in the financial statements.
- (k.) The land named "Bulughamula Watta" valued at Rs. 350,000 had been shown twice in the financial statements.

- (l.) The value of the land in Kosgahamula Watta, amounting to Rs. 6,000,000, had been shown as Rs. 60,000,000 in the financial statements.
- (m.) Action had not been taken to assess and account 2 lands shown in the Register of Fixed Assets.
- (n.) Six building had not been assessed and shown in the financial statements.
- (o.) The value of 03 vehicles belonging to the Sabha had not been identified and shown in the financial statements.

### 1.3.2 Unreconciled Control Accounts

A difference of Rs. 18,798,687 existed between the balances shown in the subsidiary documents and the financial statements as at 31 December of the year under review relating to 05 Items of Accounts.

### 1.3.3 Lack of Evidence for Audit

As evidence such as documents and schedules had not been made available in respect of 11 Items of Accounts with a total value of Rs. 100,589,297, an audit could not be conducted satisfactorily.

### 1.3.4 Non-compliances with Laws, Rules, and Regulations

The following non-compliance were observed.

#### Reference to Laws, Rules, and Regulations, etc.

#### Non-compliance

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|---|--|
| (a.) Rule 80 of the Pradeshiya Sabha (Financial and Administrative) Rules- 1988     | Thirteen officers of the Sabha who should have furnished sureties, had not done so.                              |
| (b.) Financial Regulation 396 (d) of the Democratic Socialist Republic of Sri Lanka | Action had not been taken on 02 cheques valued at Rs. 13,722 that had exceeded 06 months from the date of issue. |

## 02. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs. 124,733,524 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 38,327,915 indicating an improvement of Rs. 86,405,609 in the financial results.

### 2.2 Analytical Financial Review

The increase in the license fees, service charges, and other revenue by sums of Rs. 1,283,746, Rs. 4,504,838, and Rs. 85,934,794 respectively had mainly attributed to the improvement of the financial result.

## 2.3 Revenue Administration

### 2.3.1 Performance in the Collection of Revenue

The estimated revenue for the year under review amounted to Rs. 147 million whereas the actual revenue amounted to Rs. 184 million. The receivable balance as at 31 December of the preceding year amounting to Rs. 11 million, had increased up to Rs. 154 million by 31 December of the year under review.

### 2.3.2 Rates and Taxes

Of the estimated Rates and Taxes amounting to Rs. 13,363,000 for the year under review, a sum of Rs. 10,258,000 had been recovered. The progress in the recovery of arrears relating to the preceding years from the cumulative arrears of Rs. 10,485,808 as at the end of the year under review, had remained weak.

### 2.3.3 Other Revenue

By the end of the year under review, a sum of Rs. 143 million remained recoverable, and a sum of Rs. 26 million therefrom, related to the preceding years.

### 2.3.4 Court Fines and Stamp Fees

Court fines amounting to Rs. 7,184,487, and stamp fees amounting to Rs. 120,131,696 had remained recoverable from the Chief Secretary of the Provincial Council by the end of the year under review.

## 03. Operating Review

### 3.1 Management Inefficiencies

The following observations are made.

- (a.) Action had not been taken to recover the employee loans totalling Rs. 13,550 that had remained without being settled.
- (b.) Action had not been taken to recover the fees in respect of the telecommunication towers within the area of the Sabha.

### 3.2 Transactions of Contentious Nature

The following observations are made.

- (a.) As the institution with which an agreement had been entered into for the supply of materials for the improvement of roads in the year 2016, had violated the conditions relating to the prices, quotations had been called afresh, and the same institution that the agreement had previously been entered into with, was selected. As such, a sum of Rs. 226,890 had been overpaid in excess of the previous prices.
- (b.) When purchases were made in the year 2016, quotations had not been obtained by preparing the relevant specifications. Suppliers had been selected improperly when purchasing goods valued at Rs. 873,215 in 27 instances during the last 03 months of the year 2016.

3.3 Solid Waste Management

The Kurunegala Municipal Council and Pradeshiya Sabha of Kurunegala had been in agreement over many years in respect of collecting waste by establishing a solid waste management center in Sundarapola. Despite that, a waste management center had been established by incurring a sum of Rs. 1,097,298 under the provincial specific development grants to collect and segregate non-degradable waste.

3.4 Inefficiencies in Contract Administration.

Even before a lapse of 06 months since the date of construction of the fence and the wall of the new waste management center by incurring a sum of Rs. 606,968, ten line posts worth Rs. 21,120, had broken.

04. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time. Special attention is needed in respect of the following areas of control.

<u>System</u>	<u>Observation</u>
(a.) Accounting	Documents, books, and schedules had not been either maintained or maintained in an updated manner. Existence of differences and unidentified balances between the documents and accounts. Non availability of documents for the verification of balances in the financial statements.
(b.) Revenue Administration	Inefficiencies in the recovery of revenue in arrears, and failure to recover the revenue relating to telecommunication transmission towers.
(c.) Purchases	Failure to follow the Procurement Guidelines.