

Rambukkana Pradeshiya Sabha
Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 25 August 2014.

1.2 Opinion

In my opinion 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 Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Rambukkana Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliances with Sri Lanka Public Sector Accounting Standards

According to Section 21(e) of Sri Lanka Public Sector Accounting Standard No.01, the budgeted data of the relevant institution with the actual data should be submitted along with the financial statements. But, it had not been done and the Statement of Change of Equity in terms of Section 21(c) of the Standard had not been submitted along with the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a.) A sum of Rs.204,603 payable to the Local Government Service Pension Fund as at 31 December of the year under review had been omitted from the financial statements and instalments amounting to Rs.633,312 payable to this Fund in respect of previous years had been accounted as an expenditure of the year under review.
- (b.) Incentive allowances amounting to Rs.53,450 on stamp fees services payable for the year under review had been omitted from the financial statements and a sum of Rs.121,000 payable for the previous years had been accounted as an expenditure of the year under review.
- (c.) Tax of 1% amounting to Rs.27,384 recoverable on sale of 02 lands had been omitted from the accounts.

- (d.) Twelve vehicles valued at Rs.8,327,075 owned by the Chief Secretary of the Sabaragamuwa Provincial Council had been accounted under fixed assets; without being vested with the Sabha.

1.3.3 Contingent Liabilities

Contingent Liabilities bound with the assets and liabilities of the Sabha had not been disclosed in the accounts.

1.3.4 Unreconciled Control Accounts

The total of the balances of 09 items of accounts amounted to Rs.67,458,743 as per financial statements and the total of the accounts as per subsidiary registers and records amounted to Rs.59,840,382 indicating a difference of Rs.7,618,361.

1.3.5 Accounts Receivable and Payable

- (a.) The value of accounts receivable as at 31 December 2013 was Rs.1,215,837 and 84% of it amounting to Rs.1,023,550 was older than one year.
- (b.) The value of accounts payable for over 01 year as at 31December 2013 was Rs.3,482,175.

1.3.6 Lack of Evidence for Audit

Subsequential evidence had not been made available in respect of sundry creditor balances totaling Rs.3,482,175 included in the financial statements.

1.3.7 Non-compliance with Laws, Rules and Regulations

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations and Management Desicions</u>	<u>Non-compliance</u>
(a.) Financial Rules of the Sabaragamuwa Provincial Council Rule 261.2.2	- On account advances amounting to Rs.49,622 given at 05 instances within the period 2005 to 2008 had not been settled even by October 2013.
(b.) Chapter XXIV of the Establishments Code of the Republic of Sri Lanka	
(i.) Paragraph 1.7	- Although a property loan balance of Rs.90,530 remained unrecovered since August 2011, the title deed relating to this loan and the power of attorney had not been submitted to audit.
(ii.) Paragraph 10.4	- Although a suerty who had completed 10 years' service should be appeared while

granting distress loans, a loan amounting to Rs.58,300 had been paid to a female officer who had not completed 10 year service without suerties. The loan had not been recovered as the officer had vacated her post.

2. Financial Review

2.1 Financial Results

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.18,006,363 as compared with the excess of revenue over recurrent expenditure amounting to Rs.3,021,048 for the preceding year, thus indicating an improvement of Rs.14,984,955 in the financial result for the year under review.

2.2 Analytical Financial Review

Increase of rent income, service charges, fines and warrant charges and other income and the decrease of expenditure on supplies and equipment and expenditure on repairs to capital assets during the year under review as compared with the preceding year had mainly contributed to the improvement of the financial result.

2.3 Revenue Administration

2.3.1 Performance of Collection of Revenue

Information on the estimated revenue actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is shown below.

Source of Revenue	Estimated	Actual	Cumulative arrears as at 31 December
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	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	4,752	5,516	3,056
(ii) Lease Rent	7,694	7,537	564
(iii) Licence Fees	2,308	2,489	684
(iv) Other Revenue	57,297	56,135	5,205

2.3.2 Court Fines and Stamp Fees

Court fines and stamp fees respectively receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.2,300,635 and Rs.6,841,126.

3. Operating Review

3.1 Management Inefficiencies

- (a.) Two parts, (2000 square feet each) of the ground floor of the Pradeshiya Sabha had been leased out to the Sampath Bank and the National Savings Bank at a monthly rent of Rs.80,000 and Rs.75,000 respectively. Although the Value Added Tax, Nation Building Tax and Stamp Duty payable to the Department of Inland revenue should be added to the monthly rent, the above taxes had been paid from the monthly rent received by the Sabha Fund. Therefore, the Sabha had to suffer a loss of Rs.565,554 from March 2011 to September 2013; the time of audit examination and the Government had deprived of tax income amounting to Rs.105,716.
- (b.) The land near the Pradeshiya Sabha building owned by the Sri Lanka Railway Department had been taken on lease by the Sabha since July 1980. While legal action is being taken due to non-settlement of lease rent in arrears amounting to Rs.216,834 to the Railway Department; this block of land had been leased out to the Road Passenger Transport Authority, Sabaragamuwa Province for a private bus park. Although lease rent amounting to Rs.815,500 recoverable from the above Authority up to 31 December 2011, legal action could not be taken due to non-availability of lease agreement.

3.2 Operating Inefficiencies

3.2.1 Contract Administration

The following matters were revealed at a physical examination carried out on 29 October 2013.

- (a.) A sum of Rs.16,575 had been paid for filling both sides of the concreted road with 05 cubes of soil of the task for concreting the Pinnawala, Welamada Road at an estimated amount of Rs.876,473. But, according to the measurement report, soil filling had not been done and although a sum of Rs.6,000 had been paid for fixing a name board, the name board had not been fixed.
- (b.) A physical examination carried out in respect of concreting the access road to Ma-oya in front of the Elephant Orphanage that had been complicated at an expenditure of Rs.372,300 revealed that a sum of Rs.31,985 had been paid for 0.79 cubes not concreted under Item of Work No.02.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate internal audit had not been carried out in respect of finance and stores in terms of 5(7) of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Assets Management
- (c.) Control over Contracts