

**Rideegama Pradeshiya Sabha**

**Kurunegala District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 22 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2013.

**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 Rideegama Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my 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 Rideegama Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following observations are made.

- (a.) According to the Schedule, the balance of the supply creditors amounted to Rs.7,408,244 and it had been taken to the financial statements as Rs.4,802,316 and therefore, the creditors balance as at end of the year under review had been understated by Rs.2,605,928.
- (b.) Salary reimbursement received during the year amounting to Rs.13,509,920 only had been brought to account, instead of accounting the sum of Rs.16,276,468

relating to the year under review. As such, salary reimbursements had been understated by Rs.2,766,548.

- (c.) Stamp fees due relating to the years 2010 and 2012 had not been identified and brought to account, and the sum of Rs.8,014,615 included a sum of Rs.7,995,070 receivable for the year 2011 and a sum of Rs.19,545 received for the year 2009.

## 2. **Financial and Operating 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 2012 amounted to Rs.2,106,177 as compared with the excess of revenue over recurrent expenditure amounting to Rs.9,226,750 for the preceding year.

### 2.2 **Revenue Administration**

#### 2.2.1 **Estimated Revenue, Actual Revenue and Arrears 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 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	1,834	1,039	2,676
(ii.) Lease Rent	1,682	1,376	583
(iii.) Licence Fees	970	973	768
(iv.) Other Revenue	11,515	1,700	9,815

#### 2.2.2 **Rates and Taxes**

The rates relating to the year under review had been billed at Rs.1,535,480 based on the new assessments and the accumulated arrears of rates as at 31 December 2012 amounted to Rs.2,414,394 and it was 157% on the amount billed. Action had not been taken in terms of Section 158 of the Pradeshiya Sabha Act No.15 of 1987 and Rules 31-42 of the

Pradeshiya Sabha (Financial and Administrative) Rules-1988 to recover said rates in arrears.

### **2.2.3 Lease Rent**

Lease rent in arrears amounting to Rs.23,115 relating to 03 stalls of the Rideegama General Market and lease rent in arrears amounting to Rs.42,000 relating to 11 stalls demolished during the year 2005 had remained unsettled even as at end of the year under review. The stall No.20 of the Rideegama General Market that the monthly lease rent is Rs.200 had been sealed on 10 April 2012 due to non-payment of installments. The lease rent of Rs.14,300 receivable as at that date and the lease rent of Rs.25,099 in arrears brought forward since 2010 relating to the Hewawissa Sub-office had not been settled even up to the year under review.

### **2.2.4 Business Tax and Trade Licence Fees**

- (a.) Action had not been taken in terms of Section 150(4) and 152(4) of the Pradeshiya Sabha Act No.15 of 1987 to recover the licence fees in arrears amounting to Rs.845,750 relating to the period 2004-2206.
- (b.) The recovery of Trade Licence Fees amounting to Rs.658,325 seems to be difficult due to non-taking of timely action.

### **2.2.5 Processing Charges for Telephone Transmission Towers**

According to the records maintained by the Sabha there were 18 telephone transmission towers by end of the year under review. However, processing charges amounting to Rs.229,760 had been recovered for only one tower and trade licence fees at Rs.3,000 each had been charged in respect of 07 towers.

### **2.3 Non-compliance with Tax Requirements**

A sum of Rs.4,113,817 had been paid to the respective contractor during the year under review for the construction of the Solid Waste Management Centre. The Value Added Tax amounting to Rs.440,776 paid in respect of the above had not been considered as a deduction in computing the Value Added Tax Payable by the Sabha.

**2.4 Idle and Underutilized Physical Resources**

- (a.) Two Hand Tractors valued at Rs.500,000 owned by the Sabha had not been utilized for about 10 years. The Chairman informed me on 08 November 2012 that a formal investigation will be carried out in this connection.
- (b.) The goods valued at Rs.2,500,191 purchased on 30 December 2011 for the Minirangama Water Scheme under provincial Specific Grants of the Department of Local Government had remained idle even up to the end of the year under review due to the non-implementation of the said Project.

**2.5 Human Resources Management**

The approved cadre of the Sabha is 65 and the actual cadre as at end of the year under review was 50. Two out of 03 posts of Technical Officers, 02 out of 03 posts of Revenue Inspectors and 02 out of 03 posts of Librarians included in the approved cadre had been vacant as at end of the year under review.

**2.6 Operating/Management Inefficiencies**

- (a.) Contributions payable to the Local Government Pension Fund had not been duly paid and due to this, the balance payable to the said Fund as at end of the year under review amounted to Rs.2,909,925.
- (b.) A sum of Rs.20,000 receivable relating to the land called Pathinigolla Watta; the block-out plan of which was approved in 1997 under 1% tax on block-out and sell basis in terms of Section 154(1) of the Pradeshiya Sabha Act No.15 of 1987, and the title deeds relating to 07 plots of land to the extent of 275 Perches which should be received to the Sabha for common amenities in respect of 02 lands of which the block-out plans were approved in 1998 and 2001 had not been received even up to end of the year under review. It was also observed that there were unauthorized constructions and encroachments on 02 plots of land to the extent of about 75 perches which had been vested with the Sabha for common amenities.

- (c.) The Sabha owns lands and buildings valued at Rs.37,769,444; but annual verification had not been carried out on these assets in terms of Rule No.218 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.
- (d.) Proper action had not been taken in respect of the shortage of 25 books valued at Rs.21,582 and 80 books valued at Rs.64,372 respectively brought forward (since year 2005) with regard to the Hewawissa and Dodamgaslanda Public Libraries of the Sabha.

### **2.7 Solid Waste Management**

Although compost production of the recycling project completed in year 2012 at a cost of Rs.4,113,817 had been commenced in December 2012; the production work of the Project had been stopped at the same period due to a labour dispute and an empty land to the extent of 25 Acres had been used to dispose of waste collected within the area of authority of the Sabha.

### **2.8 Performance**

- (a.) Roads to a distance of 16 km had been maintained at a cost of Rs.1,223,675 and no maintenance had been done on 55 cemeteries within the area of authority of the Sabha during the year. Further drain system and the Children's Park exist within the area had not been identified.
- (b.) A sum of Rs.415,000 allocated for 05 welfare activities for the year under review had not been utilized for the intended purposes.

### **3. Systems and Controls**

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
- (d.) Human Resources Management