

Rajanganaya Pradeshieya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 21 March 2013 and the financial statements for the preceding year had been presented on 16 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 06 November 2013.

1.2 Opinion

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Rajanganaya Pradeshieya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) The value of the stationary stock as at 31 December of the year under review amounting to Rs. 95,385 had not been shown in the financial statements as balance stocks.
- (b) Stamp fees receivable amounting to Rs. 300,000 and audit fees payable amounting to Rs. 75,000 had been erroneously debited and credited respectively to expenditure accounts. Therefore, expenditure had been overstated by Rs. 225,000 and the liabilities had been understated by Rs. 75,000 and the revenue debtors had been understated by Rs. 300,000.
- (c) Court fines in arrears amounting to Rs. 1,369,000 received had been accounted as receipts for the year under review and due to this, the revenue for the year and the revenue debtors had been overstated by similar amounts.
- (d) Recurrent expenditure totaling Rs. 142,037 had been accounted as fixed assets. Therefore, fixed assets and revenue contribution to capital outlay account had been

overstated and the recurrent expenditure account had been understated by similar amounts.

- (e) Although a sum of Rs. 538,664 had been shown in the financial statements as stocks in hand, these stocks were physically existed in the Sabha.
- (f) Loan installments amounting to Rs. 201,302 paid to the Local Loans and Development Fund during the year under review had been shown as interest expenses and therefore, the expenditure of the year and the balance of the loan account had been overstated by a similar account.
- (g) The total of the entire assets of the balance sheet had been shown less by Rs. 991,227 than the total of the entire liabilities and the balances receivable of 05 items of revenue totaling Rs. 1,024,114 and a balance of deposits amounting to Rs. 32,507 shown in the trial balance had not been shown in the financial statements.

1.3.2 Unreconciled Accounts

There were differences between the balances shown in the financial statements relating to 06 items of accounts and the balances shown in the relevant subsidiary registers.

1.3.3 Unexplained Differences

According to the accepted accounting system for the Sabha, the balance of the revenue contribution to capital outlay account should be equivalent to the total of the balances of fixed assets account. However, there was a difference of Rs. 646,376 between these two accounts.

1.3.4 Lack of Evidence for Audit

Thirteen items of accounts totaling Rs. 21,180,817 could not be satisfactorily verified in audit due to the non-submission of required information to audit.

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. 511,065 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 1,462,778 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a) 10 percent stamp fees of the trade licence fees amounting to Rs. 45,691 had not been recovered and remitted to the Commissioner General of Inland Revenue in terms of provisions of the Stamp Duty (Special Provisions) Act No. 12 of 2006.

- (b) The certificate which should be given by the officer-in-charge of the stores to the effect that the goods were received to the stores in the required quality in terms of the agreement had not been given by him in respect of purchase of goods totaling Rs. 328,429 at 14 instances while making payment for stores supplies.

2.3 Revenue Administration

2.3.1 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 shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	02	20	-
(ii.) Lease Rent	2,780	3,270	711
(iii.) Licence Fees	901	457	310
(iv.) Other Revenue	-	2,282	1,778

2.3.2 Lease Rent

Action had not been taken to recover lease rent in arrears amounting to Rs. 282,950 in terms of Section 159 (i) of the Pradeshiya Sabha Act No. 15 of 1987 and the stall rent had been recovered based on the assessment made prior to about 20 years.

2.3.3 Licence Fees

The licence fees charge from the trade businesses had not been revised in terms of Section 149 of the Pradeshiya Sabha Act No. 15 of 1987.

2.3.4 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(I) Court Fines	1,477,796
(ii) Stamp Fees	300,000

2.4 Idle and Underutilized Physical Resources

Rice flour related bakery products package and 02 hand tractors valued at Rs. 1,743,905 given by the Chief Ministry of North Central Province during 2008 had not been used and were idling.

2.5 Transactions Not Supported by Adequate Authority

The approval of the Minister-in-charge of the subject had not been obtained in terms of Section 132 (J) of the Pradeshiya Sabha Act No. 15 of 1987 for expenditure amounting to Rs. 25,320 incurred for ceremonies.

2.6 Contract Administration

(a) Payments had been made without obtaining quality control certificates of the Provincial Engineering Department in respect of 05 works of which the total cost was Rs. 4,121,411.

- (b) Payments had been made in respect of 03 works the total cost of which was Rs. 2,552,762 even though the quality control reports were not in favour.
- (c) The scheduled date for completion as per agreements and the date of completion had been informally altered in respect of 11 works the total cost of which was Rs. 6,664,138. Therefore, the works not completed within the agreement period and the charges for delay recoverable for the said works had been unable to fix.
- (d) The date fixed for the completion of works had not been mentioned in the works completion reports in respect of 16 works the total cost of which was Rs. 6,183,955. Therefore, it had been unable to recover the charges for delay in construction.
- (e) Charges for delay had not been recovered for non completion within the period of agreement in respect of 03 works amounting to Rs. 3,800,000.

2.7 Operating Inefficiencies

The following observations are made.

- (a) Action had not been taken to vest the legal ownership of 34 stalls of a trade complex with the Sabha and due to this, it had been unable to recover the rent.
- (b) A formal tender procedure had not been followed while leasing out of stalls owned by the Sabha.
- (c) A survey on trade licence fees had not been carried out each year and as such the Sabha had deprived of a trade licence fees income of Rs. 50,050 only on retail trade businesses.
- (d) Action had not been taken in terms of Section 4.5 of Chapter XXIV of the Establishments Code of the Republic of Sri Lanka to recover loan balances as at 31 December 2012 totaling Rs. 130,867 from 14 employees vacated the service, deceased, retired and transferred.

3. Systems and Controls

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Debtors and Creditors Control