

Rajgama Pradeshiya Sabha

Galle 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 May 2012 and the financial statements for the preceding year had been presented on 10 June 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 November 2012.

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 Rajgama Pradeshiya Sabha for the year ended 31 December 2011 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The accounting policies adopted by the Sabha had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The area under the control of the Hikkaduwa Pradeshiya Sabha had been divided into 02 local authorities as Hikkaduwa Urban Council and Rajgama Pradeshiya Sabha with effect from 15 April 2001 by an order published in the Gazette Extra – ordinary No. 1162/12 dated 15 December 2000 by the Minister of Provincial Councils and Local Government. But, the assets and liabilities of the Hikkaduwa Pradeshiya Sabha had not been specifically separated between the 02 local authorities even up to 23 November 2012.

- (b) Action had not been taken to settle the credit balance of the suspense account amounting to Rs. 5,969,579 as at 31 December of the year under review.
- (c) A sum of Rs. 3,182,494 paid for the works under the Provincial Council provisions during the preceding year had been shown in the financial statements as expenditure for the year under review and as such the expenditure for the year under review had been overstated by a similar amount.
- (d) A sum of Rs. 101,644 had been shown in the financial statements as income from interest on fixed deposits. But, it was observed in audit that there were no fixed deposits owned by the Sabha. Therefore, the income for the year under review had been overstated by a similar amount due to showing a fictitious interest income of Rs.101,644 in the financial statements.
- (e) Although the income from court fines for the year under review was Rs. 4,925,800 it had been shown as Rs. 7,700,000 in the financial statements, thus, overstating the income for the year under review by Rs. 2,774,200
- (f) The minus cash balance of Rs. 516,670 retained in the hands of the officers that has been brought forward in the financial statements since 03 years had not been identified.

1.3.3 Lack of Evidence for Audit

(a) Unanswered Audit Queries

Replies had not been furnished to 09 audit queries by 31 December of the year under review. The value of quantifiable transactions relating to the audit queries amounted to Rs. 19,136,681

(b) Non – submission of Information to Audit

Assets and liabilities totalling Rs.68,136,058 could not be satisfactorily vouched 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 recurrent expenditure over revenue of the Sabha for the year ended 31 December 2011 amounted to Rs. 3,129,554 as against the excess of revenue over recurrent expenditure amounting to Rs. 6,465,077 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	526	869	846
(ii) Lease Rent	1,613	1,213	612
(iii) Licence Fees	360	368	47
(iv) Other Revenue	37,914	22,527	15,358

2.2.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

(i) Court Fines	Rs. 631,749
(ii) Stamp Fees	3,494,580

2.2.3 Lease of Stalls of the Rajgama General Market Complex

The following matters were observed.

- (a) Although 22 stalls had been leased out during the year 2000, the agreements had not been updated subsequently.

- (b) According to paragraph 05 of the circular No. දපපා/පපාකො/2010/01 dated 26 December 2010 of the Commissioner of Local Government – Southern Province, the agreements should be updated at least once in 03 years. But, the agreements had not been renewed even by 25 June 2012, the date of audit examination.
- (c) Rent due from the lessees of stall Nos. 05.06.07.08.14.16,17,18,19,20,21 and 22 amounted to Rs. 480,815. Although the stalls had been sealed on 04 May 2011, action had not been taken to lease out them again.
- (d) The doors and the electricity wiring system of the stalls of the market building were not in good condition and they have to be repaired before leasing out. But, it had not been done so. Due to the sale of fish in front of the market building business activities cannot be performed in the stalls. Nevertheless, action had not been taken to shift selling of fish to another place. Therefore, leasing out of stalls was not successful.
- (e) The general market building valued at Rs. 5,000,000 had not been repaired so as to enable it to be leased out and as such the resources of the Sabha had not been properly protected. The Sabha had been deprived of the revenue that could have been earned due to lack of proper resource management.

2.3 Operating / Management Inefficiencies

2.3.1 Bank Accounts

The last reconciliation statement of one bank current account had been prepared for the month of July 2010 and it was December 2010 in the case of other bank accounts. Action had not been taken in terms of Financial Regulation 396 of the Republic of Sri Lanka in respect of 51 cheques valued at Rs. 308,165 issued but not presented for payments during the period 2005 to December 2010.

2.3.2 Compost Fertilizer Project and the Premises

As at 25 June 2012, the date of audit inspection, 04 employees had been attached for the fertilizer production works of the Monroviawatta compost fertilizer project of the Sabha and the cultivation work of the surrounding area. During the entire year of 2011, 11 employees had been working at the rate of 04 employees per occasion. A sum of Rs. 212,904 for the watcher and Rs. 553,055 for the other employees had been paid as salaries during that period incurring a total expenditure of Rs. 765,959

The following observations are made.

- (a) The packeted fertilizer at the compost work – site was 1,110 K.Gs and the stock of fertilizer produced and to be packeted was 7,000 K.G.S. A stock book had not been maintained for production and sales and the production of compost fertilizer had not been recorded.
- (b) No records had been maintained regarding fertilizer used for cultivation.
- (c) There was a banana cultivation in an area of 01 Acre in the premises of the compost fertilizer project since 03 years with nearly 250 banana plants. But, no income had been received from this during the year 2011.
- (d) No income had been received during the year 2011 from the pineapple cultivation which contained 3,200 plants.
- (e) Although salaries amounting to Rs. 212,904 had been paid to the watcher during 2011, it had been reported that the cultivation in the premises of the compost project had been affected by robbers.

2.3.3 Damaging the Roads for Laying Water Pipe Lines

A sum of Rs. 1,556,133 had been charged from the National Water Supply and Drainage Board during the year 2011 in respect of damaging roads for laying water pipe lines within the area of control of the Sabha.

The following matters were observed.

- (i) Although, the places damaged should be re constructed out of the charges received, those places had not been reconstructed up to 25 June 2012, the date of audit examination.
- (ii) Roads had been affected as a result of not reconstructing the roads.

2.3.4 Corporate Plan and the Action Plan

A corporate plan and an annual action plan had not been prepared. A procurement plan also had not been prepared.

2.4 Internal Audit

An adequate internal audit had not been carried out within the institution and Audit and Management Committees also had not been established.

3. Systems and Controls

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

- (a) Accounting
- (b) Financial Control
- (c) Contract Administration
- (d) Stocks Control
- (e) Assets Management