

Embilipitiya Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 28 March 2013 and the financial statements for the preceding year had been presented on 27 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 22 January 2014.

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 Embilipitiya 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 Embilipitiya Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following observations are made.

- (a) The opening balance of the arrears of courts fines of the year under review was Rs.5,143,313. The court fines received on behalf of the previous years during the year under review was Rs.6,191,111. Accordingly, the receipts in excess of the balance of debtors amounting to Rs.1,047,798 should have been credited to the Accumulated Fund. But, it was not done so and as such the balance of the arrears

of court fines at end of the year under review had been understated by a similar amounts.

- (b) Out of the stamp fees to be remitted to the Sabha by the Department of Local Government for payments for supply of fuel to the Sabha by the Multi Purpose Co-operative Society for the period January to May 2012, a sum of Rs.628,558 had been paid to the Society on 9 April 2013. The stamp fees revenue concerned had not been credited to the revenue of the year under review and as such the revenue for the year under review had been understated by a similar amount.

1:3:2 Lack of Evidence for Audit

Transactions aggregating Rs.273,956 could not be satisfactorily vouched in audit due to non-rendition of necessary information to audit.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.7,267,712 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.6,572,111.

2:2 Financial Control

The following observations are made.

- (a) The entire provision of Rs.555,400 for 27 objects remained unspent. Out of the provision of Rs.1,620,000 belonging to other 7 objects, a sum of Rs.411,000 had been transferred to other objects. A further provision of Rs.1,209,000 remained without incurring any expenditure.
- (b) Action had not been taken to write off/ settle 20 balances of creditors valued at Rs.3,116,279 existing from 2010.

- (c) Action had not been taken to settle advances aggregating Rs.1,958,488 from 1988 to end of 2012.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue, for the year under review, as presented by the Chairmen, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs/'000	Rs.'000
(i) Rates and Taxes	2,613	2,562	4,354
(ii) Lease Rent	6,155	5,454	368
(iii) Licence Fees	996	434	--
(iv) Other Revenue	33,749	39,468	5,900

2:3:2 Lease Rent

An agreement had been entered into with a tenderer on 23 December 2011, for a sum of Rs.1,442,800 who had been selected among limited tenderers for the lease of Panamure Week end Fair 2012. Accordingly, fairs had been conducted for two months of January and February 2012 alone. A sum of Rs.150,233 had been collected for lease of fair for the said period. The tenderer could not proceed with the job and as such the agreement had been cancelled and the Sabha had collected Rs.451,700 during March to December. The sum of Rs. 840,867 that could have been received as revenue from lease of fair had been deprived of.

Although the tenderer had breached the agreements the Sabha had not framed legal action against him and action had not been taken to recover the loss of caused by breach of agreement by crediting the security deposit of Rs.304,132 even by 26 August 2013, the date of audit.

2:3:3 Courts Fines and Stamp Fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 appear below.

	Rs.
(i) Court Fees	1,277,956
(ii) Stamp Fees	3,781,540

2:4 Operating Inefficiencies

The repairs to Wyebretin Roll had been completed on 29 September 2009 by spending Rs.306,538 and the time taken was 4 years. But, action had not been taken to bring it back to the Sabha and make use of it, even by 03 September 2013, the date of audit.

The Sabha had incurred legal fees of Rs.21,500 in December 2012 for the case filed against the Sabha by the institution which carried out repairs, for delay in making payments for repairs.

2:5 Irregular Transactions

A sum of Rs.90,000 had been spent on 26 March 2012 for curtains purchased for the Sabha. A proper investigation had not been carried out with regard to the irregularity in purchasing as required by the letter No. C.L.G/0107 of 27 October 2011 of the Commissioner of Local Government.

3. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management