

Ratnapura Pradeshiya Sabha

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Ratnapura District

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1. Financial Statements

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1:1 Presentation of Financial Statements

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The financial statements for the year under review had been presented for audit on 11 April 2013 and the financial statements for the preceding year had been presented on 04 May 2012. The report for the Auditor General for the year under review was issued to the Chairman of the Sabha on 28 January 2014.

1:2 Opinion

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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 Rathnapura 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 Rathnapura 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

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1:3:1 Accounting Deficiencies

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The following observations are made.

- (a) During the year under review, stamp fees of Rs.8,222,392 relating to the previous had been received. The opening balance shown in that account was Rs.6,917,491 only. Although, the previous year's stamp fees of Rs.1,304,901 should have been debited to that account and credited to the Accumulated Fund Account, it had been accounted for, as revenue of the year under review.

- (b) According to the Register of Reimbursement of salaries, the value of bills for the year under review was Rs.8,014,349. However, a sum of Rs.6,822,571 had been shown in the ledger account. As such, a difference of Rs.1,191,778 was observed.
- (c) The year's bills relating to tea leaves should have been Rs.398,768. However, it was Rs.413,078 as per ledger account. As such, a difference of Rs.14,310 was observed in billing.
- (d) The balance of the main cash book as at 31 December 2012 was Rs.6,590,678. However, the amount shown in the financial statements was Rs.6,947,215 and the difference observed was Rs.356,537.
- (e) Differences of Rs.12,942,884 and Rs.3,940,751 were observed while reconciling the balances of three items of revenue and two items of liabilities relating to 5 items of accounts in the ledger accounts and the subsidiary registers.
- (f) The advance of Rs.200,000 obtained by the Chairman had been accounted under creditors resulting in an overstatement of auditors by a similar amount.
- (g) Advances of Rs.263,848 paid for 4 construction contracts had been accounted for, as creditors thus overstating the balances of creditors by a similar amount.

## 2 Financial and Operating Review

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### 2:1 Financial Results

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According to the financial statements presented, the revenue exceeding the recurrent expenditure revenue of the Sabha for the year ended 31 December 2012 was Rs.4,192,314 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.12,207,258.

### 2:2 Revenue Administration

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

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

Source of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
i. Rates and Taxes	--	24	27
ii. Lease Rent	--	445	--

#### 2:2:2 Courts Fines and Stamp Fees

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

	Rs.
i. Court Fees	6,257,250
ii. Stamp Fees	12,949,534

#### 2:3 Idle and Under Utilized Physical Recoveries

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The following observations are made.

- (a) It was observed that the debit balance of Rs.73,977 shown in the current account of the Bank of Ceylon as at 31 December 2012 referred to a dormant account existing for over 5 years.
- (b) It was observed that the balances of 4 accounts amounting to Rs.64,963 appearing in the financial statements remained idle for over 5 years.
- (c) Twenty six cubes of sand had been purchased on 24 May 2012 by spending Rs.247,000. But, these stocks remained idle in the premises of the Sabha even by 10 September 2013, the date of audit, although a period of one year and 3 months had elapsed.

2:4 Irregular Transactions

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The following observations are made.

- (a) According to the circular of the Secretary of the Chief Ministry, Sabaragamuwa Provincial Council No.01/2010 dated 16 November 2010, no recruitments should be made without the approval of the Secretary, Chief Ministry as almost the vacancies of local authorities had been filled. The approval of the Secretary, Chief Ministry should be obtained for recruitments through service agreements for a vacant post in order to pay allowances from the funds of the Sabha. However, 10 persons had been recruited on service agreements without authority and an expenditure of Rs.1,032,454 had been incurred on salaries during the year under review.
- (b) An expenditure totalling Rs.18,000 had been incurred on charity and welfare on decisions made by the Sabha on 05 January 2012 and 28 February 2012 without the prior approval of the Minister, contravening the provisions in Section 132(k) of the Pradeshiya Sabha Act, No. 15 of 1987. Fifteen tinned sheets had been purchased by spending Rs.1,450,500 on 31 December 2012 and had been distributed among charitable and welfare institutions.
- (c) Hume pipes had been purchased as referred to in the letter of the Commissioner of Local Government No. පළාතකො/03(1) dated 30 April 2002. This should have been done by the Balawinna Concrete Factory. However, without considering so and without following the procurement procedures, hume pipes for Rs.577,500 had been purchased from a private institution on 27 February 2012.

2:5 Operating Inefficiencies

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The following observations are made.

- (a) No expenditure had been incurred from the provision totalling Rs.1,110,000 provided for the year under review for 12 objects.

- (b) About 35 instances were observed where savings had occurred in provisions made for the year under review. It was observed that it was valued at about Rs.6,897,508.
- (c) One hundred and fifty sets of street lamps purchased by spending Rs.331,390 during the year under review had not been entered in the register of stocks.
- (d) Action had not been taken to settle advances valued at Rs.60,048 even by 10 September 2013 in terms of Financial Regulation 371 of the Republic of Sri Lanka.
- (e) Action had not been taken to recover telephone tower charges as required by the Vth Schedule of the Gazette Extra Ordinary of the Republic of Sri Lanka dated 17 April 2009.

3. **Systems and Controls**

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

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