

Balangoda Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 08 February 2014 while Financial Statements relating to the preceding year had been submitted on 27 February 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabah on 18 August 2014.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Si Lanka Public Sector Accounting Standards and give a true and fair view of the financial position of the Balangoda Pradeshiya Sabha as at 31 December 2013 and financial results of its operation and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
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Paragraph 1.21

A statement of changes in net assets/equity; had not been submitted together with the financial statements.

Paragraph 1.24

- (a.) Financial statements had not been prepared reflecting budgeted figures and actual figures separately.
- (b.) It had not been disclosed that budgeted figures had not been exceeded or if exceeded indicating reasons for such excesses by way of a foot note to the financial statements.

1.3.2 Accounting Policies

Although the stamp fees and courts fines revenue received to the Council are recognized on accrual basis, it had been stated incorrectly in the accounting policies that those are recognized on cash basis.

1.3.3 Accounting Deficiencies

- (a.) The sum of Rs. 198,692 received being insurance compensation received for the Backhoe Machine that had met with an accident had been accounted as an income of the Sabha.
- (b.) Although the Court Fines receivable according to the schedules submitted was Rs.1,073,046 according to financial statements it was Rs.914,660.
- (c.) Although the value of balance of Hume Pipes as at 31 December 2013 according to the stores account ledger was Rs. 107,350, according to financial statements as at that date, it was Rs.48,746.

1.3.4 Lack of evidence for audit

Relevant schedules and particulars required for the identification of value amounting to Rs.109,700 relating to Licence Fees in arrears were not submitted to audit.

1.3.5 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Treasury Circular No.IAI/2002/02 dated 28 November-2002	- A Register of Fixed Assets had not been dated 28 November 2002 maintained for the Computers and Components valued at Rs.370,050 owned by the Sabha.
(b.) Financial Regulation 104(1) of the Republic of Sri Lanka	- Although a loss of Rs.524,341 had occurred due to an accident to the Backhoe Machine belongs to the Sabha, deciding the party responsible, submission of preliminary and final reports had not been done.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2013 amounted to Rs. 1,943,628, as against the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.2,143,983 showing a decline of Rs. 4,087,611 in the financial results for the year under review.

2.2 Analytical Financial Review

Although the Revenue Grants had been increased in a sum of Rs. 2,022,537 during the year under review, reduction in other revenue in a some of Rs. 1,285,897 less than the preceding year and increase in expenditure amounting to Rs. 5,000,744 during the year under review had been main reasons for the decline in the above financial results.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Item of Revenue	Estimated	Actual	Cumulative arrears as at 31 December
	Rs '000	Rs '000	Rs '000
(i) Rates	509,980	334,830	247,166
(ii) Acreage Tax	20,237	18,956	28,105
(iii) Ground Rent	11,400	15,300	43,250
(iv) Rent of Stalls	116,325	116,322	38,905

2.3.2 Court Fines

Court Fines receivable as at 31 December 2013 amounted to Rs. 1,073,046.

3. Operating Review

3.1 Operational Inefficiencies

Following observations are made.

- (a.) Any expenditure had not been incurred out of provision of Rs. 83,000 made available for 09 items of Expenditure.
- (b.) Out of provisions amounting to Rs. 1,000,000 made available for payment of interest to Government and other institutions, Rs. 750,000 or 75 percent had been transferred to other items of Expenditure.
- (c.) A sum of Rs.159,172 to be remitted to the Commissioner General of Inland Revenue had been withheld in Miscellaneous Deposits Account even as at the end of the year under review.
- (d.) Action had not been taken to recover Land Blocks Rent amounting to Rs. 43,250.
- (e.) The loss incurred in operation of the J.C.B. Machine belongs to the Sabah during the year under review amounted to Rs. 1,627,684.

3.2 Idle/Under-utilized assets

Following observations are made.

- (a.) While 31 Tractors and equipment in Kalthota agrarian Services Centre had been received to the Sabha as decided by the Ratnapura District Agricultural Committee, those assets had not been documented and had not been used for any purpose up to march 2014.
- (b.) A concrete mixture belongs to the Sabah had been kept idle for a number of years.
- (c.) The cab vehicle belongs to the Sabah was getting decayed for a number years in the Sabha premises.
- (d.) A motor cycle belongs to the Sabah had been set aside having dismantled parts.

4. Systems and Controls

Special attention of the Sabah is needed in the following areas of controls.

- (i) Accounting
- (ii) Budgetary control
- (iii) Stores Control