

Kolonna Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 02 April 2014 while Financial Statements relating to the preceding year had been submitted on 05 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 20 November 2014.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kolonna Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Following statements which should be submitted along with the set of Financial Statements in accordance with Paragraph 21 of Sri Lanka Public Sector Accounting Standard 01 had not been submitted.

- i. Comparative Statement of Budgeted and Actual Figures.
- ii. Summary of Important Accounting Policies.

1.3.2 Accounting Deficiencies

Following lapses are observed.

- (a) Instead of writing -off the sum of Rs. 158,383 accounted in excess of the of the Court Fines Receivable relating to the previous year through the Accumulated Fund, the full balance of Rs. 1,152,552 in that account had been written-off against the Accumulated Fund during the year under review. Due to that, Current Asset had been understated in a sum of Rs. 994,169 at the end of the year.
- (b) Although the identified billed revenue of Stamp Fees for the year under review was Rs. 899,680 according to the Stamp Fees Register, the full estimated amount of Rs. 2,50,000 for the year 2013 had been shown as revenue for the year, understating the deficit for the year in a sum of Rs. 1,600,320.

- (c) The difference of Rs. 2,145,324 between the opening balances of Rs. 1,004,451 in the Stamp Fees Ledger Account and the Stamp Fees received during the year amounting Rs. 3,149,775 had been written-off against the Accumulated Fund during the year under review without identifying the reasons.
- (d) Although the income received by hiring out the vehicles belong to the Sabah during the year under review had been Rs. 329,625 according to the Revenue Register, it had been included in the Revenue Head 3-25 of the final accounts as Rs. 300,400, understating a sum of Rs. 29,225 in the accounts.
- (e) Commitments of Rs. 54,230 relevant to Expenditure Items of the year under review had not been included in the Creditors of the year 2013, and due to that Creditor balance at the end of the year had been understated in a similar amount.
- (f) The difference of Rs.27,552 between the balances in the Ledger Accounts relating to Acreage Taxes, Other Revenue and Water Charges and the balances in the relevant Registers had been adjusted through the Accumulated Fund without identifying the reasons.
- (g) According to the Register of Expenditure a sum of Rs. 366,394 had been spent during the year under review for the purchase of stores materials. Although the actual value of materials consumed should be debited through the Stores Ledger account to relevant Expenditure Heads, the entire sum had been directly debited to the Expenditure Heads. Accordingly, an incorrect balance had been reflected through the General Stores (Consumable Materials) Account due to this accounting error.

1.3.3 Non-reconciled Control Accounts

According to the Control Account the total of balances relating to 06 Items of Accounts as at 31 December 2013 had been Rs.6,393,322 while the total of those items according to the relevant subsidiary records had been Rs. 5,799,594. Accordingly, there was a difference of Rs.593,728. Further, a difference of Rs.250,558 was observed between Votes Ledger and the Individual Accounts in the Main Ledger relevant to 02 Items Expenditure.

1.3.4 Lack of Evidence

Required information were not made available with regard to 04 instances of transactions valued at Rs. 14,018,959 and therefore those transactions could not be satisfactorily vouched in 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.

**Reference to Laws, Rules,
Regulations etc.**

Financial regulations of the Republic
of Sri Lanka - 1992

Financial Regulation No. 371 (2)

Financial Regulation No.571

Financial Regulation No.1645

Non-compliance

- Advances totalling to Rs. 87,010 had not been settled even as at 31 December 2013.
- Deposits amounting to Rs. 381,778 relevant to the period from the year 2008 to the year 2013 continuously remained without being credited to the Government Revenue.
- Daily Running Charts of 07 vehicles had not been prepared.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2013 had been Rs. 1,678,397 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 2,234,240 in the preceding year.

2.2 Revenue Administration

2.2.1 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
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	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	17	6	11
(ii) Lease Rent	2,883	2,641	192
(iii) License Fees	715	268	447
(iv) Other Revenue	6,030	3,957	2,433

2.2.2 Court Fines and Stamp Fees

Following observations are made.

- (a.) A sum of Rs. 61,800 receivable from the Registrar General as Stamp Fees Revenue for the period from September 2010 to March 2013 remained in arrears even up to 09 April 2014, date of audit.
- (b.) Action had not been taken to recover Courts Fines Revenue receivable to the Sabah through the Embilipitiya Magistrate Court after July 2013.

2.2.3 Lease Rent

While agreements had not been entered into for the Ground Tax relevant to 31 Stalls, action too had not been taken to recover the tax from 16 stalls out of those.

2.2.4 License Fees

Although there were arrears of 63 instances amounting to Rs. 360,125 relevant to Industrial Taxes, Business Taxes and Trade Licenses, adequate steps had not been taken to recover those taxes.

2.2.5 Business Taxes

While Annual Survey for identification of Businesses for the recovery of Business Taxes had not been carried out up to 08 April 2014 date of Audit, Revenue Registers had been maintained only on the basis of taxes received.

2.2.6 Other Revenue

Adequate steps had not been taken to recover arrears of Water Charges amounting to Rs. 70,734 due from 108 consumers of the Kolonna Water Scheme even up to 31 December 2013.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) While there are 38 Burial Grounds belong to the Sabah and requests had been made to the Survey Department to carry out the survey works of 15 out of those, any step had not been taken relating to the survey works of the balance 23 Burial Grounds.
- (b.) After naming 36 roads in the area through a Gazette Notification during the year 1960, action had not been taken to identify the newly developed roads in the area and vest those to the Sabah, except vesting 02 roads.

3.2 Operational Inefficiencies

Generators valued at Rs. 100,000 had been purchased and distributed among 07 voluntary organizations during the year under review. While procedures relating to Technical Evaluation Committees and Procurement Committees had not been followed, Generators had not been handed over through Issue Orders after taking to the Inventory. There was no Register of Signatures to support that those items were duly accepted by the voluntary organizations.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate Internal Audit had not been carried out with regard to Finance and Stores in terms of Regulation 5(7) of the Set of Financial Administration Regulations (Pradeshya Sabha) of 1988.

4.2 Budgetary Control

Following observations are made.

- (a) Provisions amounting to Rs. 8,590,000 made available relevant to 22 Expenditure Heads for the year under review had been saved without incurring any expenditure.
- (b) While a sum of Rs. 39,414,831 made available relating to 23 Items of Expenditure for the year under review had been saved, an expenditure of Rs. 1,402,295 had been incurred in excess of the provisions made relevant to 16 Items of Expenditure.

5. Systems and Controls

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

- (i) Accounting
- (ii) Budgetary control
- (iii) Revenue Administration