

Kuruvita 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 31 March 2014 while Financial Statements relating to the preceding year had been submitted on 25 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 31 December 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 Kuruvita 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.) A Comparative Statement of Budgeted and Actual Figures or showing the budgeted figures under separate column in the Financial Statements.
- (ii.) Summary of Important Accounting Policies.

1.3.2 Accounting Deficiencies

Following deficiencies are observed.

- (a.) Without identifying the License Fees relevant to the year under review specifically, opening credit balance of Rs.89,223 shown in the ledger account together with the receipts amounting to Rs.1,385,002 totalling Rs. 1,474,225 had been accounted as billings for the year.
- (b.) Although the opening balance of the Stamp fees had been shown as Rs. 6,706,333 in the Financial Statements according to the Ledger Account, the correct opening balance according to the Stamp Fees Register was Rs. 21,204, 129.

- (c.) Action had not been taken to identify and delete the value of goods auctioned and removed on the recommendations of the Annual Board of Survey – 2013.
- (d.) Creditors amounting to Rs.420,661 relevant to the year under review had not been taken to expenditure for the year and therefore expenditure for the year under review had been understated to that extent.
- (e.) Adjustments had not been made in connection with the over provisions for creditors amounting to Rs. 421,713 for the preceding year.
- (f.) Adjustments had not been made even up to 31 December 2013 regarding interest amounting to Rs. 60,514 credited to the Sabha Account during November 2013 by the bank.

1.3.3 Non-reconciled Control Accounts

Following observations are made.

- (a) According to the Control Account the total of balances relating to 11 Items of Accounts at the end of the year under review had been Rs. 199,321,139 while the total of those items according to the relevant subsidiary records had been Rs. 50,840,307 and therefore a difference of Rs. 148,480,832 was observed.
- (b) Differences were observed between balances shown in the Revenue Registers and Ledger accounts relevant to 6 Items of revenue.

1.3.4 Lack of Evidence for Audit

Following observations are made.

- (a) Value of 03 Fixed Asset balances totalling Rs. 96,967,506 could not be satisfactorily vouched in audit due to lack of written evidence.
- (b) Particulars required relevant to transactions of 6 Items of Account totalling Rs. 45,509,701 were not submitted to audit.
- (c) Court Fines receivable to the Pradeshiya Sabah relevant to the yeas 2011, 2012, and 2013 had been accounted without identifying specifically and therefore accuracy of the sum of Rs. 7,865,200 shown as Courts Fines for the year under review could not be confirmed.
- (d) Six payment vouches totalling to Rs. 123,384 had not been submitted to audit even up to 31 December 2014.

1.3.5 Unauthorized Transactions

Expenditure amounting to Rs. 5,190,665 had been incurred in excess of the net provisions, relating to 06 Items of Expenditure without approval.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2013 amounted to Rs. 5,451,337 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 9,540,284.

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.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,217	1,598	4,173
(ii)	Lease Rent	7,286	6,227	5,626
(iii)	Licence Fees	1,322	1,474	-
(iv)	Other Revenue	29,265	28,952	13,315

2.2.2 Lease Rent

Following observations are made.

- (a) Action had not been taken to recover a sum of Rs. 3,067,520 as rent due for a period ranging from 03 months to 04 years, relevant to 12 stalls, out of 36 stalls in the new market in the Kuruvita Town belong to the Sabah as at 31 December 2013 and a sum of Rs.3, 067,520 as relevant surcharges.
- (b) While the rent due for a period exceeding 04 years from 8 stalls numbered 23, 27, 28, 05, 24, 10, 35 and 17 amounted to Rs. 1,335,000, it was 96 percent of the total amount in arrears. While agreements had not been entered into at the time of leasing out these stalls during the year 2009, action had not been taken to vest those properties up to 11 February 2014, date of audit.

2.2.3 Other Revenue

Although the recovery of monthly charge for Three-Wheeler vehicles is Rs. 50 per vehicle according to the by-laws of 1999, those charges had not been timely revised. A sum of Rs. 18,696 too was in arrears as at 11 February 2014.

3. Operating Review

3.1 Management Inefficiencies

A sum of Rs. 71,849 had been paid to the Railway Head Quarters on 28 June 2013 to get the land in extent of 02 Roods and 01 Perch, released from the Railway Reservation, where the Kuruvita weekly Fair is conducted. However, it was observed that it was an amount payable by an outside party as at 31 December 2013 for a lease. Although it was informed that amount paid was assessed according to a report of the Government Valuer, that valuation report was not furnished to audit and it was not confirmed that a permanent lease had been obtained for this land.

3.2 Operational Inefficiencies

Although there was a dormant balance of Rs. 52,538 in a bank account belongs to the Sabah in the Kuruvita Bank of Ceylon Branch, from 2008 a suitable action had not been taken in that connection.

3.3 Improper Transactions

Expenditure amounting to Rs.1,170,000 had been incurred at the rate of Rs. 90,000 per Member for 13 Members, out of the Sabah Funds for the tour in Thailand during the period from 26 February to 03 March 2013. Although the participants in the foreign tour should obtain permission of His Excellency the President, to leave out of the Country in terms of provisions in the Circular No. CSA/1/1/16 dated 11 June 2012, of the Secretary to the President, action had not been taken accordingly, a report too had not been submitted indicating the manner in which the knowledge obtained at the end of the training to be used locally.

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 Series of Financial Administration Regulations (Pradeshiya Sabah) of 1988.

4.2 Budgetary Control

Out of the Provisions made available relating to 07 Items of Expenditure, there had been savings in a range between 27 percent and 85 percent.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary controls
- (c) Revenue Administration