

Ridigama Pradeshiya Sabha
Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 25 March 2014 and the financial statements for the preceding year had been presented on 22 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 11 December 2014.

1.2 Opinion

In my opinion, except for the effects of the matters referred to in Paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Ridigama Pradeshiya Sabah as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) The value of 02 tractors and trailers amounting to Rs.2,587,200 received by the Sabha during the year under review from the National Solid Waste Management Project as a donation had not been capitalized under fixed assets.

- (b.) A Huller valued at Rs.63,000 donated during the year 2012 had not been capitalized under fixed assets. Salary reimbursements amounting to Rs.2,766,548 received during the year under review in respect of previous years had not been brought to account as revenue for the year.

- (c.) Stamp fees amounting to Rs.195,760 relating to the year under review had been shown in the financial statements as Rs.139,685 understating Rs.56,075 and the stamp fees payable as at end of the year under review amounting to Rs.63,049 had been shown as Rs.78,498 overstating Rs.15,499.
- (d.) A sum of Rs.601,399 received during the year under review for payment of retirement gratuity had been credited to the sundry deposits account, instead of being credited to the retirement gratuity account.

1.3.2 Contingent Liabilities

The Sabha had not promptly paid the contributions payable to the Local Government Pension Fund in respect of employees who had retired from the service of the Pradeshiya Sabha and due to this, the balance payable to the said Fund as at end of the year under review amounted to Rs.3,023,892.

1.3.3 Unreconciled Control Accounts

Differences amounting to Rs.2,626,418 were observed between the values of accounts and the respective registers with regard to 14 items of accounts under billings relating to the year under review receipts, closing balance and deposits.

1.3.4 Accounts Receivable and Payable

The following observations are made.

- (a.) The value of balances of accounts receivable as at 31 December 2013 amounted to Rs.94,025,683 and of this, balances amounting to Rs.35,395,490 were over 03 years.
- (b.) The value of the balances of accounts payable as at 31 December 2013 amounted to Rs.50,715,412 and of this, balances amounting to Rs.13,413,044 were over 01 year.

1.3.5 Lack of Evidence for Audit

Transactions totaling Rs.38,009,708 could not be examined in detail due to non-submission of required information to audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.7,711,199 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,106,177 for the preceding year indicating a development of Rs.5,605,022 in the financial result. The surplus for the year under review had been decreased to Rs.5,602,178 when the adjustments are being made to this financial result for capital aid amounting to Rs.37,339,567 and capital expenditure amounting to Rs.39,448,588.

2.2 Analytical Financial Review

The following observations are made.

- (a.) The total recurrent revenue of the Sabha relating to the year under review amounted to Rs.44,917,508 and 86% of this amounting to Rs.38,610,408 consists of non-generated income such as court fines, stamp fees and salary reimbursements. Further, the entire capital revenue of Rs.37,339,567 consists of money received from other institutions for development works of the area of authority on the provisions of Gama Neguma, Maga Neguma etc.
- (b.) The total recurrent expenditure relating to the year under review amounted to Rs.37,206,308 and 68% of this amounting to Rs.25,363,809 represented personal emoluments and also 91% of this amounting to Rs.22,992,172 had been reimbursed by the Commissioner of local Government as salary reimbursements and had been accounted under other revenue. Further, capital expenditure amounted to Rs.39,448,588 and 9% of this amounting to Rs.3,416,884 only had been spent Rs.3,416,884 only had been spent out of the Sabha funds. The balance of 91% amounting to Rs.36,031,704 represented development activities implemented out of the provisions of other institutions such as Gama Neguma, Maga Neguma.

2.3 Revenue Administration

2.3.1 Performance of Collection of Revenue

Although there is no specific authority to collect trade licence, business tax, stall rent and lease rent etc. at field the Revenue Collectors of the Sabha had collected revenue such as rates and taxes and trade licence at field throughout the year.

2.3.2 Rates and Taxes

The arrears of rates and taxes as at end of the year under review amounted to Rs.2,598,160 and the annual billing amounted to Rs.1,819,977. The process for recovery of rates and taxes in arrears by preparing list of arrears quarterly, confiscating property after issuing relevant warrants in terms of Rule 32-42 of the Pradeshiya Sabha (Financial and Administrative) Rules -1988, had become weak.

2.3.3 Lease Rent

No tenders had been forwarded since 2011 to obtain the lease of trade rights of the beef stall, Thalaspitiya, the lowest bid of which was Rs.450,000. Further, there was an arrears of Rs.242,710 relating to 04 properties leased out by the Sabha during 2011 and 2012.

2.3.4 Business Tax and Trade Licence Fees.

Arrears of Trade Licence Fees for over 10 years amounted to Rs.63,979 and Rs.478,485 respectively with regard to Dodamgaslanda Sub-office and Head Office.

3. Operating Review

3.1 Management Inefficiencies

The Sabha had approved 264 building applications during the period 2008-2011 and of this, there were 244 locations which had not obtained conformity certificates even as at end of the year under review. An income of Rs.48,800 could have been obtained from issuing conformity certificates in terms of the Sabha by-laws; if all the above buildings had been constructed. The Sabha had not made provisions in respect of recovery of charges for extension of time of licence; if the buildings had not been completed.

3.2 Irregular Transactions

The Sabha had rejected the quotations of the institution which had offered the lowest prices and 02 years guarantee while purchasing pre-school equipment under the provisions amounting to Rs.800,000 received from the Ministry of Local Government and Provincial Councils and had recommended to purchase the goods from the institution which had quoted a higher price and 01 year guarantee stating that the goods offered by this institution are in good quality and will be supplied urgently. Therefore, the Sabha had to pay Rs.197,600 more than the lowest price.

3.3 Implementation of Projects

A sum of Rs.332,284 had been spent during 2011 for commencement of a nursery and a sales outlet with a view to produce plants by providing compost under “Pilisaru” Project and to sell them. However the nursery had not been started as the compost had not been produced under “Pilisaru” Project.

4. Accountability and Good Governance

4.1 Budgetary Control

The following observations are made.

- (a.) There were excesses amounting to Rs.2,987,809 and Rs.31,708,438 respectively in respect of salaries and allowances and capital expenditure relating to the year under review.

- (b.) The estimated revenue for the year under review amounted to Rs.5,156,790 and the revenue recovered amounted to Rs.3,109,599.

- (c.) The Sabha had not implemented 03 capital works valued at Rs.2,549,990 and 15 welfare activities valued at Rs.1,344,000 planned to be carried out during the year under review.

5. Systems and Controls

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

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