

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 21 May 2015 while Financial Statements relating to the preceding year had been submitted on 02 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 10 August 2015.

1.2 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 2014 and its financial performance for the year then ended and cash flows in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a.) Although the value of drugs issued during the year under review was Rs. 287,815, a sum of Rs.197,743 had been again adjusted to Expenditure erroneously through journal entries.

- (b.) A sum of Rs. 273,600 received as Drugs Grants had been accounted as Salary Reimbursement Revenue.
- (c.) The Stamp fees Revenue amounting to Rs. 1,959,721 relevant to the year under review had not been accounted.
- (d.) The Business Tax and Industrial Tax amounting to Rs. 605,800 relevant to the year under review had been accounted as Rs.505,300.
- (e.) Although the License Fees Revenue coming under Programme 02 was Rs.328,570, it had been accounted as Rs.384,250.
- (f.) Although the Capital Grants relevant to Physical Planning, Roads, Land and Buildings was Rs.23,219,304 was it had been accounted as Rs.25,504,450.
- (g.) Although the bank balance according to the Cash Account in the Main Ledger was Rs. 915,726, according to the bank reconciliation, it had been Rs.727,793 and the difference had been Rs.187,933.

1.3.2 Non-reconciled Control Accounts

The difference between balances according to financial statements as at 31 December 2014 relevant to 10 Items of Accounts and balances according to subsidiary records had been Rs.2,370,142.

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

Although the Certificate of Fitness should be obtained from the Organization of National Building Research before granting permission for any construction to be made after the date of the Circular No. N.B.R.O/2011/1 dated 10 February 2011 of the Secretary to the Ministry of National Disaster Management in order to minimize the possible damages to

the General Public and Properties through procedures for avoiding and minimizing earth slips in Ratnapura District, it was revealed that action had not been taken accordingly in within this limit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabah for the year ended 31 December 2014 had been Rs. 1,099,507 as against the excess of revenue over recurrent expenditure amounted to Rs. 1,182,843 in the preceding year.

2.2 Analytical Financial Review

When compared with the preceding year surplus of financial operations for the year under review had been decreased in a sum of Rs. 2,282,350 and it was observed as a 192 per cent decrease. It was mainly due to higher pace of increase in the recurrent expenditure than that of recurrent income during the year under review.

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
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	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	1,157	1,035	308
(ii) Lease Rent	4,408	2,962	-
(iii) License Fees	758	384	-
(iv) Other Revenue	5,883	2,296	1,067

2.3.2 Performance of Revenue Collection

When Estimated Revenue is compared with Actual Revenue for the year under review, a decrease by 14 per cent, 32 per cent, 55 per cent, 71 per cent, and 51 per cent respectively were reflected relating to revenue collected as Rates, Lease Rent, License Fees, Charges for Services and Other Revenue.

2.3.3 Rates

Although certain zones in the area of authority of the Sabha had been subject to rapid development, a proper scheme had not been implemented to identify those areas and name as developed village areas in order to recover rates from those zones.

2.3.4 Ground Tax

Arrears of Ground Tax amounting to Rs. 15,408 due from 11 individuals relevant to Sooriyakanda Stalls had not been recovered even up to July 2015.

2.3.5 License Fees

While a survey had not been carried out in order to identify businesses liable for License Fees even up to 17 July 2015 , date of audit, Revenue Registers relevant to those fees had been maintained only on the basis of revenue received to the Sabha.

2.3.6 Other Revenue

Following observations are made.

- (a.) It was revealed that the Ulliduvawa Weekly Fair commenced after development of infrastructure facilities by the Sabha is not functioning at present, any income is not received to the Sabha through that.

- (b.) Although a sum of Rs. 14,000 had been spent for making name boards in order to formalizethree wheeler vehicle parks in the area of authority of the Sabha, a scheme had not been implemented to derive an income annually or monthly by imposing by-laws after providing necessary facilities to informal three wheeler parks existing in the area.

2.3.7 Court Fines and Stamp Fees

Stamp Fees relevant to the period after August 2014 from the Embilipitiya Land Registry and the period after February 2014 from the Ratnapura Land Registry had not been received to the Sabha.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) Action had not been taken get settlement of advances totalling Rs. 925,155 that had been given by the Sabha a long period ago.
- (b.) Employees security amounting to Rs. 30,831 of 04 employees who were in Sabha Service and not in service at present had been retained in the Sabha up to the time of audit in July 2015.
- (c.) Vehicles belong to the Sabha are being parked in various places in the Sabha Ground due to lack of garage facilities causing a risk to their existence.

3.2 Idle and Under-utilized Assets

Tractor-trailer which is not in use at present and parked behind the office is opened to getting rusted and damaged.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary control
- (c.) Revenue Administration
- (d.) Assets Management