

**Ratnapura Pradeshiya Sabha**

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**Ratnapura District**  
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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year under review had been submitted to Audit on 03 June 2015 while Financial Statements relating to the preceding year had been submitted on 02 May 2013. 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**

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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 Ratnapura Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.3 Comments on Financial Statements**

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**1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**  
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Cash Flow Statement required to be submitted with the financial statements according to Paragraph 21 in Sri Lanka Accounting Standards No.01 had not been presented.

### **1.3.2 Accounting Deficiencies**

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Following lapses are observed.

- (a.) Although the income to the Sabah by engaging the JCB Machine belongs to the Sabah for work performed direct through the Sabah during the year had been assessed as Rs.6,118,300, that value had not been disclosed in the financial statements as an income of the Sabah.
- (b.) Estimated revenue for engaging the Concrete Mixing Machine, the Compacting Roller and the Tipper Vehicle belong to the Sabha on direct works performed by the Sabha during the year had not been assessed and accounted. Detailed information relating to utilization of these vehicles and machines too were not furnished to audit.
- (c.) A sum of Rs. 51,780,895 received from various institutions for implementation works through the Sabha and the expenditure incurred out of that had been accounted outside the Sabha and therefore information relating to those works were not reflected through the financial statements.
- (d.) While purchases relating to general supplies of the Pradeshiya Sabha and issues had not been made through the General Stores Account, those had been accounted through the Expenditure Head.
- (e.) While the balance in the Cash Account was Rs. 9,334,052 according to the financial statements, balance according to the Bank Reconciliation Statement was Rs.9,103,546 and there was a difference of Rs. 230,506.

### **1.3.3 Non-reconciled Control Accounts**

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There was a difference of Rs.4,747,553 between the balances according to financial statements as at 31 December 2014 and balances according to the subsidiary registers relevant to 08 items of accounts.

### 1.3.4 Non-compliance with Laws, Rules, Regulations etc.

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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.) Pradeshiya Sabha Act No. 15 1987	--
(i.) Section 132 (a)	- Although prior written approval of the Minister should be obtained for total annual expenditure to be incurred exceeding Rs.1,000 connected with civic receptions or public work or occasion or incident, contrary to that, a sum totalling Rs.308,647 had been Incurred in 04 instances.
(ii.) Section 132 (k)	- Although prior written approval of the Minister should be obtained for total annual expenditure to be incurred exceeding Rs.1,000 in granting assistance to Charitable or Welfare Institutions without considering those provisions, expenditure amounting to Rs.363,379 had been incurred out of the Sabha Fund in 04 instances for development work of religious places without prior approval of the Minister during the year.

(b.) Pradeshiya Sabha (Financial and Administrative) Rules of 1988

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Rule 177

- According to the Sabha decision dated 30 April 2013, library books valued at Rs. 208,919 had been purchased from a private entity without calling for quotations.

(c.) Financial regulations of the Republic of Sri Lanka

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Financial Regulation 371

- Action had not been taken to settle the Advance of Rs.432,639 brought forward since the year 2005 even up to 20 July 2015, date of audit.

(d.) Code of Government Procurement Guidelines

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2.84 and 8.12.3

- An evaluation had not been made through a Technical Evaluation Committee, to ascertain whether the goods purchased amounting to Rs. 236,874 by the Sabha during the year under review are falling in line with the laid down specifications and comply with the other agreed conditions.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over expenditure of the Sabah for the year ended 31 December 2014 had been Rs. 18,820,702 as compared with the corresponding excess of revenue over expenditure amounted to Rs. 3,916,769 in the preceding year.

### 2.2 Analytical Financial Review

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When compared with the preceding year surplus of financial operations for the year under review had been Increased in a sum of Rs.14,903,933 and it was observed as an increase of 380 per cent. It was mainly due to the increase of operational income at a higher pace than the recurrent expenditure for the year under review when compared with that for the preceding year.

### 2.3 Revenue Administration

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#### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

	<b>Source of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
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		Rs. '000	Rs. '000	Rs. '000
(i)	Rates and Taxes	211	47	72
(ii)	Lease Rent	1,300	162	-
(iii)	Licence Fees	705	544	204
(iv)	Other Revenue	19,473	29,743	18329

### **2.3.2 Performance in Revenue Collection**

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When the revenue collected during the year under review is compared with the estimated revenue, an increase of 15 per cent and 66 per cent of the charges for services and other revenue respectively and decrease of 78 per cent, 88 per cent, 22 per cent and 3 per cent respectively in Rates and Taxes, Lease Rent, License Fees and Warrant Charges and Fines were reflected.

### **2.3.3 Acreage Tax**

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While there was a balance of Acreage Tax in Arrears amounting to Rs. 27,000 as at 31December 2014, those balances were relevant to a period ranging from the year 2008 to 2014.

### **2.3.4 Other Revenue**

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Following observations are made.

- (a.) Action in terms of Schedule V of the Extra Ordinary Gazette Notification dated 17 April 2009 of the Republic of Sri Lanka had not been taken to carry out a proper survey with regard to telecommunication towers existing in the area of authority of the Sabha and to recover the specified charges.
  
- (b.) A proper scheme had not been implemented to impose by-laws with regard to three wheeled vehicles, through publication of a gazette notification and generate income.
  
- (c.) Action had not been taken to carry out an adequate survey with regard to Advertisement Boards displayed in the area of authority of the Sabha and to impose by-laws, in order to generate income.

- (d.) Although an annual survey should be carried out with regard to Business Taxes and Industrial Taxed to be recovered from the institutions in the area of authority of the Sabah, an adequate survey had not been carried out. Necessary action had not been taken to recover Business License Fees and Industrial Taxes imposed for theyear 2014 before 01 April 2014, in terms of the Gazette Notification No.1839 dated 29 November 2013 of the Republic of Sri Lanka.
- (e.) Although the Backo Loader, Compact Roller, and Concrete Mixing Machine etc. are sources for collecting revenue to the Sabha, information to support that such revenue was collected were not furnished to audit.

### **2.3.5 Court Fines and Stamp Fees**

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- (a.) Action had not been taken to identify through the schedules, the Court Fines and the Stamp Fees relevant to the period from September to December 2014 and recover those amounts up to 20 July 2015, date of audit.
- (b.) While a sum of Rs. 9,500,000 had been accounted as Revenue billed on account of Court Fines, any revenue had not been received relevant to the year under review. Court Fines Revenue for November and December relevant to the year 2013 too had not been received. However, lessor revenue of Rs. 9,288,584, that is less than the billed amount had been received as Courts Fines Revenue in Arrears.

### **3. Operating Review**

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#### **3.1 Management Inefficiencies**

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Following observations are made.

- (a.) While 80 Roofing Sheets at the rate of Rs. 1,950 per sheet had been purchased for a sum of Rs.156,000 under Members' Provisions, signature from an appropriate person had not been obtained in acknowledgement of those sheets, although 25 sheets had been issued through Issue Order No. 113. Any sheets were not physically available at the Sabah Premises even as at 20 July 2015 , date of audit.
  
- (b.) Although only 54 Cemetery Lands out of the Cemetery Lands situated with in the Sabha limit had been identified; action had not been taken to carry out survey works and to vest and register with regard to 53 Cemetery Land in extent of more than 31 acres.

#### **3.2 Improper Transactions**

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- (a.) While it had been decided under Sabha Decision No. 04.05 dated 31 July 2014 at the General Sabha Meeting to provide at the rate of Rs. 50,000 per member under Members Proposals, materials valued at Rs. 982,450 had been obtained. Following matters were observed in that connection.
  - (i.) It was observed that the expenditure referred to above had been incurred out of the Sabha Fund for welfare works, contrary to the provisions in Section 132 (k) of the Pradeshiya Sabha Act No. 15 of 1987.
  
  - (ii.) A proper scheme had not been identified in selection of the beneficiaries for providing assistance in the form of materials under these provisions.



- (iii.) A suitable follow up had not been made to ensure that those materials were utilized for the relevant work after distribution of those welfare goods.
  - (iv.) While purchase of pipes amounting to Rs. 35,000 had not been entered in the Stock Book, there was no Issue Order as well. As the goods were not physically available in the Sabha, purchase and distribution of those items were questionable in audit.
- (b.) While 775 plastic chairs at the rate of Rs. 830 per chair had been purchased for Rs. 643,250 during the years 2014 and 2015 under member's provision, 556 chairs had been distributed.
- (i.) As at the date of audit any stock of the plastic chairs were not physically available in the Sabha premises. Although it had been shown that 60 plastic chairs were issued under the Issue Order No. 116, a proper person had not signed in acknowledgement of plastic chairs. Accordingly, a questionable situation was arisen in audit with regard to 279 plastic chairs valued at Rs. 231,570.
  - (ii.) Although a Technical Evaluation Committee should be appointed and recommendation should be obtained with regard to purchases referred to above in terms of Guideline 2.8.4 and 8.12.3 in the Code of Procurement Guidelines 2006, such action had not been taken.

### 3.3 Foreign Travel Expenses

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While Members and an Officer had participated in 4 foreign tours organized by private institutions, a sum of Rs. 1,773,472 had been spent out of the Sabha Fund for that.

Following matters are observed in that connection.

- (a.) Although it is required to get the leave approved before going abroad, approval of the Governor had not been obtained by the participants for the above 4 foreign tours before going abroad.
- (b.) Any bills connected with payments relevant to the Indian Tour and the Vietnam Tour had not been furnished to audit.
- (c.) Although a report indicating how to utilize the knowledge obtained through the training to be applied locally, should be submitted within a month from the end of the training, any such document had not been submitted after end of the foreign tours referred to under (ii) above, up to the date of this report.
- (d.) Although all expenditure to be incurred and facilities to be provided should be born by the relevant organization, foreign government or foreign institution in the event of selection of Head, Deputy Head or Member of a Local Authority, in terms of the Circular No.PL/07/02/05/26 dated 09 September 2010 of the Secretary to the Ministry of Local Government and Provincial Councils, payments referred to above had been made disregarding those provisions.

### **3.4 Purchase of Tar Barrels**

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- (a.) During the year under review 24 Tar Barrels of 180 litres valued at Rs.397,440 had been purchased at the rate of Rs. 16,560 per each barrel and sum of Rs.411,750 had been paid on 25 August 2014 for that causing an overpayment of Rs.14,310 to the Petroleum Corporation. Action had not been taken to recover the overpaid amount up to 20 July 2015, date of audit.
  
- (b.) While there was a balance of 39 Tar Barrels according to the Stock Book as at 23 July 2015 date of audit, 25 Tar Barrels issued for 06 Works had not been deducted from the Stock Book. Materials Issue Orders had not been issued for the Tar Barrels so issued. Although a further stock of 14 Tar Barrels should be physically available in the Sabha, it was observed that only two Tar Barrels were available at the physical inspection.

### **3.5 Purchase of Street Lamps and Equipment**

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A sum of Rs. 225,000 had been spent during the year under review for the purchase and fixing of street lamps. Following matters are observed.

- (i.) A proper scheme was not in place with regard to fixing street lamps in the area of authority of the Sabha.
  
- (ii.) While street lighting was in operation without taking into consideration the instructions connected with street lighting given in the Circular dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, the agreement entered into with the Electricity Board for fixing street lamps too was not furnished to audit.
  
- (iii.) While there was no Technical Evaluation Committee with regard to the purchase of street lamps in terms of Guidelines 2.8.4 and 8.12.3, there was no certification by a technical officer to the effect that purchases were made according to the relevant specifications.

### **3.6 Idle Assets**

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- (a.) Although the last repairs carried out to the Lorry vehicle bearing Registration No.68-4960 on 20 November 2012 amounted to Rs.413,679, it had not been in running condition and kept idle after repairs up to the date of audit on 20 July 2015. A proper course of action had not been taken in that connection.
  
- (b.) Although nearly one year had elapsed after getting back the Cab Vehicle given to the Army, that vehicle not in running condition had been parked in the Sabha Premises. A proper course of action had not been taken in that connection even up to 20 July 2015, date of audit.

### **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