

Ridigama Pradeshiya Sabha
Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 25 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 13 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 Ridigama Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) Salary Reimbursements amounting to Rs. 30,645,320 received relevant to 5 Programmes for the year under review had been accounted under General Administration Programme without identifying expenditure relevant to those Programmes.

- (b) Payments made amounting to Rs. 211,142 in 4 instances relevant to the year 2015 had been accounted as expenditure for the year, without being shown as Pre-payments.

- (c) The Grant of Rs. 6,500,000 received for the Pradeshiya Sabha Strengthening Programme had not been taken under the Recurrent Revenue and under the Capital Expenditure relevant to that.
- (d) The sum of Rs. 148,000 received at the auction of a Hand Tractor amounting to book value of Rs. 282,900 had not been taken under the Capital Revenue. Similarly, the cost of the asset had not been removed from the Contribution from Revenue to Capital Outlay Account.

1.3.2 Contingent Liabilities

The Contributions Payable to the Pension Fund on behalf of the employees retired after serving the Sabha had not been made properly. Due to that, the balance payable to that Fund as at the end of the year under review had been Rs. 3,110,066.

1.3.3 Un-explained Discrepancies

Although the deficit for the year according to the financial Statements was Rs.609,063, it had been taken to the Accumulated Fund as Rs.323,463. Accordingly, an un-explained discrepancy of Rs.285,600 was observed.

1.3.4 Accounts Receivable and Payable

Following matters are observed.

- (a) While total value of Accounts Receivable balances as at 31 December 2014 was Rs. 111,999,602, out of that a sum of Rs. 38,243,353 as 34% were balances outstanding over a period of more than 3 years.
- (b) A sum of Rs. 1,347,186 outstanding for more than 3 years due from sources such as Jathika Saviya, Gama Neguma, Provincial Investments, Provincial Criteria Based High Ways Ministry Grants was included under Recoverable Utility Services.
- (c) A sum of Rs. 35,023,292 not specifically identified and shown continuously was included in the Revenue Debtors balances.

- (d) Lapsed Deposits Balance relevant to 25 instances where action had not been taken in terms of Financial Regulation 571 of the Republic of Sri Lanka amounted to Rs. 426,774.
- (e) The value of Accounts Payable as at 31 December 2014 was Rs. 65,087,737. Out of this, a sum of Rs. 2,010,312 as 3% had been balances which were being brought forward over a period exceeding 3 years. A balance of Rs. 96,262 brought forward during a long period as Machine Supply Creditors too was included in this.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, operational surplus of the Sabha for the year ended 31 December 2014 had been Rs.6,564,006 as compared with the corresponding surplus amounted to Rs. 7,711,199 in the preceding year indicating a decline of Rs. 1,147,193 in the operational results. When Capital Grants of Rs. 57,710,091 and Capital Expenditure of Rs. 64,883,160 are adjusted to this operational result, financial result relevant to the year under review had become a deficit of Rs. 609,063.

2.2 Analytical Financial Review

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.59,791,796 relevant to the year under review, a sum of Rs. 46,025,320 as 77% was consisting revenue not falling under a nature generated in the Sabha such as Court fines, Stamp Fees and Salary Reimbursements. The entire Capital Revenue of Rs. 57,710,091 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.

(b) Out of the total Recurrent Expenditure of Rs. 53,227,790 relevant to the year under review, a sum of Rs. 32,159,313 as 60 per cent approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 30,645,320 as 95 per cent approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Other Revenue. Out of the Capital Expenditure of Rs. 64,883,160, a sum of Rs. 1,661,500 as 3% only had been spent from the Sabha Fund, while the balance 97% amounting to Rs. 63,021,660 were development works performed out of the provisions of other institutions such as Gama Neguma and Maga Neguma.

2.3 Revenue Administration

2.3.1 Rates

While Rates in Arrears as at the end of the year under review was Rs. 2,758,504, annual billings amounted to Rs. 1,812,851. The process of recovering Rates by seizing properties after preparing arrears lists and issuing notices in terms of 1988 Pradeshiya Sabha (Financial and Administrative) Rules 32 to 42 was at a weak level.

2.3.2 Lease Rent

An arrears sum of Rs. 179,359 relevant to 04 assets leased out by the Sabha during the years 2011 and 2012 was outstanding to be recovered.

2.3.3 Court Fines and Stamp Fees

Court Fines amounting to Rs. 2,250,000 and Stamp Fees amounting to Rs.15,658,815 were receivable from the Chief Secretary to the Provincial Council as at the end of the year under review. These arrears had been decreased to Rs. 1,550,000 relevant to Court Fines and to Rs. 8,958,815 relevant to Stamp Fees as at July 2015.

3. Operating Review

3.1 Idle and Underutilized Assets

Action had not been taken to repair and use or to follow a suitable procedure with regard to 2 buildings shown at a book value of Rs. 825,000 over a number of years.

3.2 Uneconomic Transactions

Although it had not been possible to obtain a proper service from the driver recruited since the year 2013 due to the defunct condition of the JCB Machine bearing No. JO-1004, a sum of Rs. 477,377 had been paid as salaries of the employee.

4. Systems and Controls

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

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