

Rambukkana Pradeshiya Sabha

Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 24 March 2016 and the financial statements for the preceding year had been presented on 30 March 2015. The report of the Auditor General for the year under review had been presented to the Secretary of the Sabha on 16 June 2016.

1.2 Opinion

In my opinion, except for the effects of the matters disclosed in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Rambukkana Pradeshiya Sabha as at 31 December 2015 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

- (a) Library books amounting to Rs.299,820 had been purchased during the year under review. As these had not been capitalized, the balance of the Contributions from Revenue for the Capital Layout Account and the balance of the Library Books Account as at 31 December 2015 had each been understated by Rs.299,820 in the financial statements.
- (b) Court fines receivable at commencement of the year under review amounted to Rs.1,700,292 whereas it had been accounted as Rs.2,812,501. As such, the value of Revenue Debtors and the Accumulated Fund Account had each been overstated by Rs.1,112,209 as at 31 December 2015.
- (c) Arrears of stamp fees revenue of Rs.6,356,701 received during the year under review on behalf of the previous year had been accounted as revenue of the year under review.
- (d) The allowance of Rs.17,600 paid to the District Registrar, Kegalle for preparing the stamp fees schedule of April, June, July and August of the previous year had been accounted as expenditure of the year resulting in the surplus of the year under review being understated by Rs.17,600.
- (e) A sum of Rs.25,300 was payable to the Registrar General, Kegalle for preparing the stamp fees schedule of May, September, October, November and December of the previous year and a sum of Rs.56,800 was payable for the months of January to March of the year under review. These had not been accounted and as such the surplus of the year and the balance of the Accumulated Fund had been overstated by Rs.56,800 and

Rs.25,300 respectively whilst the value of creditors as at 31 December 2015 had been understated by Rs.82,100.

- (f) The audit fees of Rs.114,121 paid during the year under review for the previous year had been accounted as an expenditure of the year under review resulting in the surplus of the year under review being understated by a similar amount. Meanwhile, provision had not been made for audit fees of the year under review.
- (g) The employees' deposit of Rs.44,200 and the interest on employees' deposit amounting to Rs.2,051 had been overstated in the accounts. As a result, the employees' deposit and the Interest on employees' deposits had been overstated by a similar amount and the value of employees' deposits had been overstated by Rs.46,251 in the financial statements as at 31 December 2015.
- (h) The sum of Rs.12,610 paid to the Sabaragamuwa Provincial Council for preparation of schedules for court fines of the period August to December of the previous year had been accounted as an expenditure of the year under review resulting in the surplus of the year under review being understated by Rs.12,610.
- (i) Provision for creditors amounting to Rs.523,000 had been made for a work which had not been completed even by the date of audit. As a result, the capital expenditure and the value of creditors as at 31 December 2015 had been overstated by similar amounts.

1.3.2 **Unreconciled Control Accounts**

The balance of 07 items of accounts aggregated Rs.43,922,139 as per financial statements and the balances aggregated Rs.70,933,074 according to the related subsidiary registers/reports resulting in a difference of Rs.27,010,935.

1.3.3 **Accounts Receivable and Payable**

- (a) The value of balances receivable as at 31 December 2015 amounted to Rs.57,397,453. Of these, a sum of Rs.3,869,825 related to a period of over one year.
- (b) The balances of accounts payable exceeding a period of one year as at 31 December 2015 amounted to Rs.1,784,395.

1.3.4 **Non compliance with Laws, Rules, Regulations**

Five employees who had been permanently appointed as sanitary and road labourers had been allowed to work as drivers and 2 persons had been allowed to work as revenue collectors, overriding the instructions in the Circular No.CM/AD/20 dated 16 November 2010 issued by the Secretary, Chief Ministry of the Sabaragamuwa Provincial Council.

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 2015 amounted to Rs.20,327,341 as compared with the excess of revenue over recurrent expenditure of the previous year amounting to Rs.14,642,635 resulting in an improvement of Rs.5,684,706 in the financial results during the year under review.

2.2 Analytical Financial Review

Increase in 05 items of revenue and the decrease in 07 items of expenditure during the year under review had mainly attributed to the improvement in financial results of Rs.5,684,706 during the year under review.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The information relating to revenue billed, actual revenue and the accumulated arrears of revenue for the year under review, as furnished by the Secretary, appear below.

Arrears as at 31 December 2015

	Source of Revenue	Arrears as at 01 January 2015	Recoveries out of the arrears as at 31 December 2015	Amount billed for 2015	Recoveries out of the amount billed for year	Arrears as at 01 January 2015	Arrears out of amount billed for the year	Total Arrears
		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i)	Rates and Taxes	2,359,445	842,055	6,113,558	5,426,179	1,517,390	687,380	2,204,769
(ii)	Lease Rent	647,633	104,304	6,837,879	6,629,715	543,329	208,164	751,493
(iii)	Licence Fees	709,769	697,315	3,122,301	3,122,301	12,454	-	12,454
(iv)	Other Revenue	9,943,704	7,130,883	77,431,266	60,965,769	2,812,822	16,465,497	19,278,318
	Total	13,660,550	8,774,556	93,505,004	76,143,963	4,885,994	17,361,041	22,247,035

2.3.2 Rates and Taxes

Legal action had not been taken in terms of Section 158(1)(b) of the Pradeshiya Sabha Act No.15 of 1987 with regard to the rates and taxes of Rs.106,633 remaining unpaid for over 10 years.

2.3.3 Court Fines and Stamp Fees

The amount receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015 appear below.

	<u>Rs.</u>
(i) Court fines	2,144,998
(ii) Stamp fees	11,143,299

2.3.4 Rent of the Playground

- (a) Action had not been taken to obtain advances for allocation of playgrounds. As such, the required fees had not been paid by persons who had been allocated 3 playgrounds during the year 2015. The Sabha had been deprived of Rs.136,000 on 77 occasions.
- (b) Non-recovery of fees for playgrounds allocated had been recommended by the Chairman, without a decision made by the Sabha. As a result, the Sabha had been deprived of a sum of Rs.9,000 on 07 occasions during the period upto 31 October of 2015 itself.

2.3.5 Telecommunication Tower Fees

Development licence and processing fees should be recovered for construction of telecommunication towers depending on their heights, in terms of the Gazette Extra Ordinary Notification No,159/8 of 17 April 2009 of the Republic of Sri Lanka. However, a sum of Rs.171,000 had not been recovered for 06 telecommunication towers installed within the area of the Sabha.

2.3.6 Notice Board Charges

Action had not been taken to recover Rs.160,154 on behalf of 05 permanent notice boards Installed within the area of the Sabha.

2.3.7 Business Tax

Action should be taken to recover revenue from trade licences by carrying out surveys regarding trade carried out within the area of the Sabha. However, action had not been taken to obtain revenue from 14 trade establishments for the year 2015.

3. Operating Review

3.1 Operating Inefficiencies

Although there is no necessity to pay contributions to the Employees' Trust Fund on behalf of employees who hold membership in the Public Service Provident Fund, the Pradeshiya Sabha had paid Rs.25,707 as contributions for 09 employees to the Employees' Trust Fund during the year 2015.

3.2 **Budgetary Control**

The entire provision of Rs .435,000 made in the budget for the year 2015 for 06 objects had been saved.

4. **Systems and Controls**

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

- (i) Accounting
- (ii) Revenue Administration
- (iii) Assets Management