

Ratnapura Pradeshiya Sabha

Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 20 April 2016 and the financial statements for the preceding year had been presented on 03 June 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 31 May 2016.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Ratnapura 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

The following matters are observed.

- (a) The trade licence revenue of Rs. 437,450 of the year under review had been accounted as Rs. 649,700 thus overstating the revenue of the year by Rs.212,250.
- (b) Stamp fees revenue obtainable for April to August 2014 was Rs. 4,457,555. Of this, the net value of Rs. 4,221,460 had been remitted after setting off Rs. 236,095 for creditors. Adjustments had not been made in the ledger accounts. Accordingly, the balance of the Accumulated Fund Account had been understated by a similar amount.
- (c) (i) The board of survey had recommended to dispose of or to sell by auction assets valued at Rs. 1,568,628. But, this had not been done during the year under review. This had been removed from the Assets Account by Journal Entry No. 09 and brought to accounts.

(ii) Assets not purchased amounting to Rs. 35,830 and minor equipment valued at Rs. 1,700 had been accounted as fixed assets. As a result, the balance of the Fixed Assets and the Revenue Contributions to Capital Outlay Account had been overstated by Rs. 37,530

(d) Expenses of Rs.746,741 which could not be paid during the year under review had not been accounted for under Expense Creditors. Accordingly, the expenditure of the year and creditors had been understated by similar amounts.

1.3.2 Unreconciled Control Accounts

A difference of Rs. 7,446,484 was observed between the balances of financial results as at end of the year under review and the balances of subsidiary registers relating to 04 items of accounts.

1.3.3 Lack of Evidence for Audit

The arrears of balances as per trade licence ledger account was Rs. 193,730. But, registers or the make up of the value had not been furnished as evidence to audit.

1.3.4 Non – compliance with Laws, Rules, Registers etc.,

The following non compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non - compliance

(a) Financial Regulations of the Republic of Sri Lanka

(i) Financial Regulation 371(2)

Advance obtained for a purpose should be settled immediately after the fulfillment of the work. Advances of Rs. 946,989 continued as unsettled advances.

(ii) Financial Regulation 396

Action had not been taken in terms of the regulation with regard to 12 cheques valued at Rs. 79,145 remaining unrepresented for payments even after 06 months from the dates of issue.

(iii) Financial Regulations 570 and 571

Lapsed deposits should be settled according to the regulation. However, balances of 45

deposits valued at Rs. 3,283,572 had not been settled so.

- (b) Section 3.13 of the circular of the Secretary to the Ministry of Public Administration, Provincial Councils and Home Affairs No.41/90 of 10 October 1990 A qualified mechanical engineer should certify quotations for a vehicle repaired. Such reports of the engineer had not been obtained for repairs to JCB machine of the Sabha and the Cab No. WPPF 5494 amounting to Rs. 256,395 and Rs. 357,370 respectively.
- (c) Letter No. CAP/211/30 of 23 November 2009 of the Commissioner of Local Government The educational qualifications of a Private Secretary of a head of a local authority during his tenure of service and the mode of calculation of allowances payable to him, for services less than a month, should be taken into consideration. But, a sum of Rs. 101,640 had been paid in 2015 for the Private Secretary recruited without considering the educational qualifications or the number of days worked.

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. 7,479,511 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 18,820,702.

2.2 Analytical Financial Review

The financial operating surplus of the year under review had decreased by Rs. 11,341,191 as compared with the previous year and it was observed that it was 60 per cent more than the previous year. Decrease of 66 per cent in other revenue and the increase in salaries and allowances, expenditure on travelling, repairs to capital assets, transportation communications during the year under review as compared with the previous year by 40,30,15 and 11 per cent respectively had mainly attributed to this.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information furnished regarding the estimated revenue, actual revenue and the arrears of the year under review appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	224	39	81
Lease rent	701	258	-
Licence fees	712	708	194
Other revenue	30,764	32,520	22,716

2.3.2 Performance in collection of Revenue

The revenue collected during the year under review as compared with the previous year showed a decrease in rates and taxes, lease rent, service charges and warrant charges and fines by 85,63,32 and 23 per cent respectively.

2.3.3 Rates and Taxes

Rates and taxes could be recovered from many areas of the Sabha which had improved. But, a map of the improved areas had been prepared without forward action being taken. As a result, there was continuous delay in improving the source of revenue.

2.3.4 Other Revenue

The following observations are made.

- (a) Annual survey for identification of businesses for tax purposes had not been carried out. It was observed in audit that there were 346 instances of arrears in obtaining business licences by 09 October 2015 as compared with the year 2014.
- (b) Action had not been taken to recover Rs. 27,006 from 139 lessees as arrears of acreage tax.
- (c) The Sabha could recover 1% of the value of annual revenue of the audited financial statements of hotels registered at the Sri Lanka Tourism Development Board in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987. However, the Sabha had failed to

recover the above tax for the year under review from the tourist hotels within the limits of the Sabha.

- (d) A detailed register showing the particulars of permanent advertisement boards and telecommunication towers within the area of the Sabha had not been maintained. Action had not been taken to recover adequate revenue for the year under review.
- (e) There were many three wheeler parks within the area of the Sabha. But, a method had not been adopted to improve the facilities at the three wheeler parks and to recover monthly or annual charges from three wheelers by legally establishing them.

2.3.5 Courts Fees and Stamp Fees

The following observations are made.

- (a) Schedule of stamp fees had not been obtained for September 2014 to December 2015. There was long delay in recovering the amount.
- (b) Schedules of court fees had not been obtained for January to December of the year under review. There was long delay in recovering the amount.

3. Operating Review

3.1 Operating Inefficiencies

The following observations are made.

- (a) The employees' security deposits of Rs. 11,049 of the staff of the Sabha should be released if there are no bindings. But, it continued to be retained.
- (b) There were 70 crematoriums as per budget of the year under review. However, proper method had not been adopted to acquire them, register them and mark the limits and to safeguard them after surveying them.
- (c) A sum of Rs. 335,950 had been paid for purchasing street lamps and other equipment. A proper procedure had not been identified to install those street lamps. Administrative weaknesses such as not carrying out a survey for identifying on the requirement, purchasing without a proper recommendation of the technical officer, not been properly maintaining a Register for receipts and issues of street lamps not following a proper numbering system to the installed street lamps for the street lamps issued by the Sabha were observed. A proper procedure not been implemented for handing over and taking over of dismantled street lamps which could be repaired and used again.

3.2 Budget Transactions

- (a) The official cab No. WPPF 5494 of the Chairman should have been returned to the Sabha before the end of his service period of 31 July 2015 or before. But, he had continued using the vehicle and had travelled 497 kilometres from 10 August 2015. It was observed in audit that Rs. 265,395 had been paid for repairs caused due to an accident before being handed over to the Sabha. It was revealed in audit that the Sabha was not in position of particulars regarding the accident or regarding the repairs to vehicles.
- (b) Ceiling Sheets valued at Rs. 227,600 and 200 plastic chairs valued at Rs. 156,500 had been purchased for distribution among poors under the budgetary proposals of the year under review. Proper procedure had not been followed for selection of institutions or persons to whom the goods had been distributed. The Sabha had not taken follow up action to find out whether the goods concerned had been used for the related activities. Quotations had not been properly called for, with regard to the purchases of chairs. None of these evidence had been furnished to audit.

3.3 Contract Administration

- (a) Concreting of Mihitiya Road – Stage II under the funds of the Sabha with a provision of Rs. 1,500,000 had been estimated. An agreement had been entered into on 05 May 2015 for a period of 03 months and the measurements were 900ft of length, 08ft of breadth and thickness of 05 inches. The value of the agreement was Rs. 1,483,843. The work had been completed on 16 October 2015 and a sum of Rs. 1,449,142 had been paid to the contractor.

The technical officer had supervised the work site and had observed by digging 06 places that the thicknesses of the road were 3 ¼” 4 ½” 2 ¾” 2 ¾” 2 ¾” and 4 ¾”. The average thickness of the road was 3.45 inches. Accordingly, Rs. 406,720 had been paid for work not performed. It was observed that the portion of work done was not up to standard. The technical officer had failed to show ABC mixture in any place which had been digged. The expenditure incurred was Rs. 61,180 and this amount together with the total payment made for work not done was Rs. 467,900.

Accordingly, it was observed in audit that the expenditure of Rs. 1,449,492 incurred from the funds of the Sabha had become fruitless and the work had been done without the required standard.

- (b) Payments had been made to contractors during 2005, 2006, 2014, and 2015 for 15 works valued at Rs. 4,051,407 carried out by the Sabha with the provision of the Sabaragamuwa Provincial Council. The payments had been made before being approved by the Provincial Council and the funds of the Sabha had been used for this showing it as payment of advance. The sum of Rs. 1,066,815 paid by the Sabha as advance had not been reimbursed by the Provincial Council. It could not be settled even by 08 October 2015, the date of audit.

4. Good Governance and Accountability

4.1 Budgetary Control

Provision of Rs. 5,282,246 made for 55 objects had not been used for any work.

4.2 Annual Procurement Plan

An Annual Procurement Plan had not been prepared and action taken accordingly.

4.3 Internal Audit

An internal audit unit had not been established and operated by providing necessary facilities.

4.4 Audit and Management Committees

Action had not been taken to establish and implement Audit and Management Committees.

5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Contract Administration.