

Ridigama Pradeshiya Sabha

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Kurunegla 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 30 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Pradeshiya Sabha 07 September 2016.

1.2 Qualified 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 Ridigama Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
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1.3.1 Accounting Deficiencies  
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Seven vehicles valued at Rs 65,644,929 used by the Sabha had been recorded in the Motor Vehicles and Carts Account without being transferred in favor of the name of the Sabha.

1.3.2 Accounts Receivable and Payable  
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Following observations are made.

(a) Accounts Receivable  
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(i) While the value of Accounts Receivable as at 31 December 2015 was Rs. 50,314,060, out of that a sum of Rs. 18,640,170 had been recovered at the time of audit in March 2016. The value of balances in arrears further had been Rs. 31,673,890.

(ii) According to the Staff Loans Register, Loans and Advances totaling Rs. 146,914 as Rs. 130,079 from 03 retired officers as Rs. 12,835 from 04 officers left on transfers and as Rs. 4,000 from one deceased officer remained unrecovered since a period from 03 months to 03 years.

(iii) The value of balances remained unrecovered during a period exceeding 03 years included in the Revenue Debtors balance of Rs. 31,210,196 as 31 December of the year under review was Rs. 1,878,708.

(b) Accounts Payable  
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While the value of Accounts Payable as at 31 December 2015 was Rs. 31,800,709, out of that balances existed during a period exceeding 03 years was Rs. 4,096,728.

1.3.3 Non-compliance with Laws, Rules, Regulations etc.  
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Action in terms of provisions in Section 158 (1) (a) (b) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken with regard to 41 Final Notices to be sent to defaulters in payment of Rates.

02. Financial Review  
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2.1 Financial Results  
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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 had been Rs.8,929,817 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 6,564,006 in the preceding year indicating an improvement of Rs.2,365,811 in the financial results. When capital grants amounting to Rs.101,499,775 and capital expenditure amounting to Rs. 106,913,333 are adjusted to this operating result, financial result relevant to the year under review had become a surplus of Rs. 3,516,259.

2.2 Analytical financial Review  
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Following matters are observed.

(a) Variations relevant to actual revenue and expenditure between the year under review and the preceding year are shown below.

Source of Revenue	Revenue			Expenditure Item	Expenditure		
	2015	2014	Variance		2015	2014	Variance
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	9,004	6,707	2,297	Personal Emoluments	42,660	32,159	10,501
(ii) Others	<u>53,132</u>	<u>53,084</u>	<u>48</u>	Others	<u>10,547</u>	<u>21,068</u>	<u>(10,521)</u>
Sub total	62,136	59,791	2,345	Sub total	53,207	53,227	(20)
(iii) Capital Grant	101,500	57,510	43,990	Capital Expenditure	106,913	64,683	42,230
Grand Total	<u>163,636</u>	<u>117,301</u>	<u>46,335</u>	Grand Total	<u>160,120</u>	<u>117,910</u>	<u>42,210</u>
Operating Result	8,930	6,564	2,366	Surplus / Deficit	3,516	(609)	2,907

- (b) Out of the total Recurrent Revenue of Rs.62,136,252 relevant to the year under review, a sum of Rs. 53,132,414 or 85 per cent were revenue not falling under a nature generated in the Sabha such as Court Fines, Stamp Fees and Salary Reimbursements. Similarly, entire Capital Revenue of Rs.101,499,775 had been funds provided through other institutions such as Maga Neguma and Gama Neguma for development works in the area of authority of the Sabha.
- (c) Out of the total Recurrent Expenditure of Rs.53,206,435 relevant to the year under review, a sum of Rs 42,659,857 or 80 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 41,210,231 or 97 per cent had been provided by the Commissioner of Local Government as salary reimbursements while that value had been accounted under Revenue Grants. Similarly out of the Capital Expenditure amounting to Rs. 106,913,333 a sum of Rs. 7,615,284 or 07 percent only had been spent from the Sabha Fund while the balance amount of Rs. 99,298,049 or 93 percent were development works performed from provisions from other institutions such as sources from Gama Neguma an Maga Neguma.

## 2.3 Revenue Administration

### 2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review and the preceding year were as shown below.

Item of Revenue	2015			2014		
	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
	000	000	000	000	000	000
(i) Rates and Taxes	2,692	1,809	2,798	2,532	1,659	2,976
(ii) Lease Rent	4,384	3,544	456	3,178	2,489	361
(iii) License Fees	1,023	1,045	367	1,069	650	523
(iv) Other Revenue	59,232	37,393	27,067	52,533	5,339	56,927*
Total	67,331	43,791	30,688	59,312	10,137	60,787

2.3.2 Revenue Billed and Arrears of Revenue

Particulars are shown below.

Item of Revenue			Collections of Revenue			Balance of	Arrears 31/12/2015		
Item of Revenue	Balance as at 01.01.2015	Billings during the year	Total	Collection From arrears	Collection from Revenue Billed	- total	Out of Arrears as at 01.01.2015	Out of Billing	Total Arrears as at 31.12.2015
	Rs.000	Rs.000	Rs.000	Rs.000	--	Rs.000	Rs. 000	Rs.000	Rs.000
Rates and Taxes	2,989,	2,557	5,546	939	Rs.,000	2,748	2,050	748	2,798
Lease Rent	362	3,665	4,027	27	1,809	1,571	335	121	456
License Fees	523	1 045	1,568	156	1,544	1,201	167	--	167
Other Revenue	31,038	56,605	87,643	21,447	1,045	60,576	9,592	17,475	27,067
					39,129				
Total	34,912	63,872	98,784	22,569	45,527	68,096	12,344	18,344	30,688

\* Although arrears of Other Revenue according to financial statements as at 01 January 2015 was Rs. 56,927, according to information furnished to audit by the Sabha, that balance was Rs. 31,038.

### 2.3.3 Rates

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Following matters are observed.

- (a) While a sum of Rs. 938,963 or 31 percent only had been recovered out of Rates and Taxes in arrears amounting to Rs. 2,989,585 as at 01 January of the year under review, a further sum of Rs. 2,049,572 or 69 percent was outstanding to be recovered.
- (b) While the amount billed for the year was Rs. 2,557,029, out of that a sum of Rs. 1,809,388 or 71 percent had been recovered. A sum of Rs. 747,641 or 29 percent was in arrears.

### 2.3.4 Lease Rent

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While a sum of Rs. 27,717 or 7 percent only had been recovered during the year under review out of the arrears amounting to Rs. 361,684 as at 01 January 2015, a sum of Rs. 334,467 or 93 remained outstanding to be recovered.

### 2.3.5 License Fees

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While a sum of Rs. 155,600 or 29 percent only had been recovered out of the arrears of License Fees amounting to Rs. 523,364 as at 01 January 2015, a further sum of Rs. 387,764 or 71 percent remained outstanding to be recovered. An age analysis had not been furnished with regard to the balances in arrears.

### 2.3.6 Other Revenue

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Following matters are observed.

- (a) While there was a sum of Rs. 24,793,448 as arrears of Other Revenue, as at 01 January of the year under review, a sum of Rs. 9,515,895 or 38 percent remained further as arrears as at 31 December.
- (b) While the estimated Other Revenue for the year under review was Rs. 10,264,997, a sum of Rs. 264,997 or 02 percent out of that had been recovered during the year. A sum of Rs. 10,000,000 or 98 percent was in arrears at the end of the year under review.

### 2.3.7 Court Fines and Stamp Fees

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While the value of estimated Court Fines and Stamp Fees for the year under review was Rs. 10,165,176, a sum of Rs. 2,165,176 out of that had remained to be recovered at the end of the year under review.

### 2.3.8 Acreage Tax

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While the amount of Acreage Tax in arrears at the beginning of the year was Rs. 230,029, out of that a sum of Rs. 19,724 or 8 percent only had been recovered during the year. The balance sum of Rs 210,305 was outstanding to be recovered even as at the date of audit.

## 3. Operating Review

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### 3.1 Management Inefficiencies

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Folloing matters are obsered.

- (a) There were 15 vacancies relevant to 10 posts of the Cadre of the Sabha at the end of the year under review.
- (b) The sum of Rs. 2,268,401 to be reimbursed from the Commissioner of Local Governemnt with regard to salaries of employees recruited to Public Service vide Budget Cicular No. 25/2014 dated 12 Novembr 2014 had not been received. and therefore those salaries had been paid out of the Sabha Fund. It had caused an advesrse effect in accomplishment of objectives of the Sabha.

### 3.3 Operating Inefficiencies

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Following matters are observed.

- (a) A sum of Rs. 287,100 had been paid for court cases filed against the Sabha during the year under review.
- (b) A sum of Rs. 310,500 had been spent for earth filling of the Ridigama Crematorium Ground in spite of availability of lands belongs to the Sabha for obtaining earth.

## 04. Good Governance and Accountability

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### 4.1 Assets Management

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#### 4.2.1 Idle and Under-utilized Assets

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While the Vibrating Compactor Machine valued at Rs. 1,006,200 received to the Sabha from the Ministry of Public Administration and Local Government on 05 February 2015 had been kept idle during the year under review, machines had been hired from outside entities and payments had been made for Sabha works which could be performed using that machine.

05      Systems and Controls

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Special attention is needed in the following areas of controls.

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