

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 31 March 2017 and the financial statements for the preceding year had been presented on 20 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 10 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described 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 2016 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 receipts of deposits for the year under review had been understated by Rs.11,594 and payments of deposits had been overstated by Rs.23,625 in the accounts.
- (b) A computer table amounting to Rs.7,178 purchased during the year under review had not been shown under fixed assets.

- (c) The vacuum cleaner amounting to Rs.14,700 purchased during the year under review had been brought to account as recurrent expenditure and as such the capital expenditure and the fixed assets had been understated by similar amounts.
- (d) The expenditure relating to the year 2017 amounting to Rs.60,163 had been accrued as the expenditure for year under review and as such the expenditure of the year and the creditors had been overstated by similar amount.
- (e) The consumable articles totalling Rs.17,850 purchased in the year under review had been accounted under fixed assets.

1.3.2 Unreconciled Control Accounts

 A difference of Rs.4,724,355 was observed between the balances as per financial statements as at end of the year under review and the balances as per subsidiary registers relating to 03 items of accounts.

1.3.3 Non – compliance with Laws, Rules and Regulations 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 Democratic Socialist Republic of Sri Lanka

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| <ul style="list-style-type: none"> (i) Financial Regulation 371(2)(c) | <p>-----</p> <p>Even though, a sub-imprest granted should be settled immediately after completion of the purpose for which it was granted, 23 sub-imprests totalling Rs.1,347,591 granted in 23 instances by the Sabha had not been settled even by 31 December 2016 and the period of delay from the date of advances</p> |
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granted had ranged from 05 months to 11 years.

(ii) Financial Regulation 396 (c) Even though, a Bank Reconciliation Statement should be prepared by every Department which maintained a bank account, before the 15 day of the month following, the bank Reconciliations for the period from January to July 2016 had not been prepared even by September 2016.

(iii) Financial Regulations 571 Action had not been taken on 13 miscellaneous deposits totalling Rs.65,759 which exceeded 02 years from the date of deposit and the deposits relating to 06 projects totalling Rs.517,567.

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 2016 amounted to Rs.4,160,459 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 7,479,511 shown a decrease in financial results amounting to Rs.3,319,052 as compared with the preceding year.

2.2 Analytical Financial Review

The decrease of 02 items of revenue by Rs.7,387,967 had mainly attributed to the decrease of financial results by Rs.3,319,052.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appears below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Rates and taxes	301	292	67
Lease rent	766	261	-
Licence fees	525	680	183
Other revenue	41,165	24,129	23,381

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase in the revenue collected with regard to the revenue items such as rates and taxes, license fees and contribution of the Government by 02 per cent, 32 per cent and 11 per cent respectively and the revenue collected with regard to the revenue items such as lease rent, service charges, warrant charges and fines and other revenue had decreased by 66 per cent, 20 per cent, 67 per cent and 64 per cent respectively as compared with the estimated amount.

2.3.3 Rates and Taxes

Even though, it was revealed as per the Report of the Council dated 23 February 2013 that a decision had been taken to identify developed villages within the authoritative area of the Sabha and to recover rates and taxes, action had not been taken accordingly even by the end of the year under review.

2.3.4 Licence Fees

The tax revenue received for the Sabha only had been recorded without being conducted a survey relating to the institutions from which should be recovered industrial tax, business tax and trade licence fees. The Sabha had not taken follow up actions on 464 institutions from which received trade license fees by 01 September 2016 amounting to Rs.233,350 relating to the preceding year but not received for the year under review.

2.3.5 Other Revenue

The following matters were observed

- (a) The revenue from court fines relating to the period from February 2015 to December 2016 had not been recovered even by June 2017.
- (b) Action had not been taken to identify and recover the stamp fees receivable for the year under review and for the preceding year.

3. Operating Review

3.1 Performance

The following matters were observed.

- (a) According to the Budget for the year under review, the provisions of Rs.23,000,000 and Rs.105,000,000 had been allocated for Capital Projects under the funds of the Sabha and other grants respectively, but the projects expected to be implemented had not been clearly identified. Nevertheless, sums totalling Rs.118,478,061 comprising Rs.8,607,242 and Rs.109,870,819 had been incurred in the year under review under the funds of the Sabha and other grants respectively.
- (b) Six items included in the annual action plan had not been implemented during the year under review.

3.2 Management Inefficiencies

The following matters were observed

- (a) Action in terms of Financial Regulation 103 had not been taken on the shortages of 45 units of goods relating to 08 items and 28 books revealed in the Boards of Survey for the year 2015 even by 31 December 2016.
- (b) One cash book had been maintained for 02 bank accounts maintained in respect of Head Office and sub offices while this situation had not been rectified up to 31 December 2016.

3.3 Operating Inefficiencies

There were, 70 cemeteries belonging to the Sabha but action had not been taken to survey and acquire the lands of the cemeteries and to record properly.

3.4 Idle and Underutilized Assets

Three motor vehicles of the Sabha were not in running condition for several years and it was failed either to repair or to dispose even by November 2016.

3.5 Uneconomic Transactions

As per the Register of Electricity bills furnished, sums totalling Rs.104,921 had been paid for the electricity bills which referred to the name of the Health Service Centre, Palabaddala from December 2012 to August 2016. Nevertheless, it was revealed that the building belonging to the Sabha had been maintained as a place for Police Guard room.

3.6 Contract Administration

The following matters were observed.

(a) Work of Concreting of New Mihitiya Road

- (i) A contract for the above work had been entered into with the Malwala Sanasa Society Ltd for a sum of Rs.994,357. It was informed to the Society to provide a report to the Sabha that the material such as metal and sand had been brought to the site and packed in sacks in terms of paragraph 03 of the informing letter of the Sabha to commence the construction. However, the Society had not taken action so on and according to the estimate there was a requirement to pack the material in sacks.
- (ii) As per the estimate, the extent to be concreted was 590 feet length and it was observed as per the payment report it was 609 feet length. Nevertheless, the Technical Officer had shown it as 654 feet length at the physical examination carried out on 16 December 2016 and indicated that 45 feet length had been executed more than the amount paid. But, in preparing original estimates and measurement reports the Technical Officer had not precisely and clearly indicated the section of this work of the Mihitiya Road which concreted and developed by various institutions under various works. At the time of the examination with audit, the section of the work could not be identified clearly by the Technical Officer.
- (iii) Several places of concrete surface had cracked at the beginning section of the road surface which shown as the work executed and cement plaster had been used for some places. Metal of $\frac{3}{4}$ " was evicted in some places in the section of 597 feet constructed continuously and in most of the places of the balance section of 57 feet.

(b) Repairing of a Part of Nugepola Dehenakanda Road

- (i) According to the Finance Commission Circular No.FC/SABP/4/2/2015 dated 27 March 2015, it was emphasized that any activity of a project for which estimated cost less than Rs.25 million should not split as stages and each development work not to be shown and contracted as separate work. Contrary to that, the contract had been entered into with an approved Society in the same date to repair a same road with preparing 2 similar estimates at an estimated value amounting to Rs.2,161,556.

- (ii) It was observed at the physical audit examination carried out on 16 December 2016, that the ABC mixture and the premix mixture used to construct 80 per cent of the portion of 95 feet length from 248 feet up to 343 feet was totally removed off and a hole about 2 feet length and 1 ½ feet width was formed in the middle of the road 100 metres away from the beginning of the road. The using of premix as per the estimate shown as 2.5”, but according to the physical examination the using of premix had been about ½”. Therefore, that construction was dilapidated within a short period of time about one year after the completion of the work and as such it was observed that the above construction were carried out without the proper standard and proper supervision.

4. Good Governance and Accountability

4.1 Budgetary Control

The entire provisions made for 50 Objects totalling Rs.7,825,043 in the year under review had been saved.

4.2 Annual Procurement Plan

An Annual Procurement Plan had not been prepared for the year under review.

4.3 Audit and Management Committees

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

4.4 Internal Audit

Even though, an internal audit unit had been established and the internal audits for the year under review had been assigned to an officer, that unit had not been implemented.

4.5 Unresolved and Unreplied Audit Queries

Reply to 01 audit query had not been furnished by 31 December 2016. The value of quantifiable transactions relating to that audit query amounted to Rs.564,476.

5. Systems and Controls

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

System	Observation
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(a) Accounting	(i) Objects not classified correctly. (ii) Non-reconciliations of ledger accounts and subsidiary registers. (iii) Omissions in the accounts.
(b) Revenue Administration	Non-recovery of due revenue.
(c) Assets Control	Existence of idling assets and proper action not taken on the unusable assets.