

**Ruwanwella 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 25 April 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 11 September 2014.

**1.2 Opinion**

In my opinion except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Ruwanwella Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

- (a.) According to Section 21(e) of the Sri Lanka Public Sector Accounting Standard No.01, the budgeted data of the relevant institution with the actual data should be included in the financial statements. But, it had not been submitted as such.
- (b.) The statement of change of equity had not been submitted with the financial statements in terms of Section 21(c) of the Standard.

**1.3.2 Accounting Deficiencies**

The following observations are made.

- (a.) The value of Pinnagolla Hena land valued at Rs.25,000 situated at Pethangoda received as a donation during the year under review and the value of other 10 blocks of land to the extent of 16 Acres, 07 Perches that had been included in the register of fixed assets had not been assessed and brought to account.
- (b.) Staff allowances relating to the income from court fines of the year under review had been understated in the accounts by Rs.187,996.
- (c.) A sum of Rs.5,548,000 being the value of 04 vehicles owned by the Chief Secretary of the Sabaragamuwa Provincial Council had been shown in the financial statements under motor vehicles and carts.

**1.3.3 Unreconciled Control Accounts**

The total of the balances of 06 items of accounts amounted to Rs.30,669,947 as per financial statements and the total of the balances as per subsidiary registers/ records amounted Rs.29,065,709 and the difference was Rs.2,838,128.

#### **1.3.4 Suspense Accounts**

Action had not been taken to settle the credit balance of the suspense account amounting to Rs.18,981 as at 31 December 2013

#### **1.3.5 Accounts Payable**

The balance of accounts payable for over 01 year as at 31 December 2013 amounted to Rs.9,752,094.

#### **1.3.6 Non-compliance with Laws, Rules and Regulations**

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<b><u>Reference to Laws, Rules, Regulations and Management Decisions</u></b>	<b><u>Non-compliance</u></b>
(a.) Financial Regulations of Democratic Socialist Republic of Sri Lanka F.R.570(c), 571 and 572	- Action had not been in terms of the provisions in respect of deposits amounting to Rs.2,027,034 relating to the period 2005 to 2010.
(b.) Financial Rules of the Sabaragamuwa Provincial Council Rule 261.2.2	- Action had not been taken in respect of advances amounting to Rs.656,091 given at 03 instances.

### **2. Financial Review**

#### **2.1 Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 amounted to Rs.1,247,946 as against the excess of revenue over recurrent expenditure amounting to Rs.1,360,432 for the preceding year, showing a deterioration of Rs.2,608,378 in the financial result of the year under review.

#### **2.2 Analytical Financial Review**

Other revenue, fines and warrants and rent income had been decreased and the expenditure on salaries and allowances, supplies and equipment, transport, utility and services had been increased during the year under review as compared with the preceding year and this had been the main reason for the above deterioration of the financial result.

#### **2.3 Revenue Administration**

##### **2.3.1 Performance of Collection of Revenue**

Information on the estimated revenue actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	3,256	2,828	428
(ii.) Lease Rent	10,185	8,187	1,998
(iii.) Licence Fees	846	339	507
(iv.) Other Revenue	16,200	15,616	584

### **2.3.2 Court Fines and Stamp Fees**

Court fines receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.5,759,926 and the stamp fees receivable had not been estimated.

## **3. Operating Review**

### **3.1 Operating Inefficiencies**

The total of the employees loan balances due as at 31 December 2013 amounted to Rs.6,756,035 and the total of the balances outstanding for over 01 year amounted Rs.361,184.

### **3.2 Contract Administration**

A contract agreement had been entered into with the Indurana United Farmers Organization on 15 March 2013 for a sum of Rs.1,904,007 for construction of the Solid Waste Management Project of the Sabha under the financial assistance of the Pilisaru Project of the Central Environment Authority. A sum of Rs.122,875 had been paid for a total of 463.68 Long Feet under Item of Work No.19 of the payment report of the said work in respect of making the roof of the building with Amano sheets and fixing gutters and down pipes. However, gutters to a length of 51.66 Long Feet and down pipes of 308.02 Long Feet had not been fixed and therefore, a sum of Rs.95,315 had been paid for works not carried out.

## **4. Accountability and Good Governance**

### **4.1 Unreplied Audit Queries**

Replies had not been furnished for 08 audit queries as at 31 March 2014. The quantifiable value of the transactions relating to the said queries amounted to Rs.4,323,107.

### **4.2 Internal Audit**

An adequate internal audit had not been carried out in respect of finance and stores in terms of Rule 5(7) of the Pradeshiya Sabha (Financial and Administrative) Rules-1988.

## **3. Systems and Controls**

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

- (a.) Revenue Administration
- (b.) Debtors Control
- (c.) Creditors Control
- (d.) Contract Administration
- (e.) Assets Management