

## **Ruwanwella Pradeshiya Sabha**

### **Kegalle District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements relating to the year under review had been presented on 08 June 2011 while financial statements of the preceding year had been presented for audit on 20 May 2010.

##### **1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of the opinion that the Ruwanwella Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 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 generally Accepted Accounting Principles and given a true and fair view of the state of affairs of the Ruwanwella Pradeshiya Sabha as at 31 December 2010 and financial results of its operations for the year then ended.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

- (a) A sum of Rs. 31,865 paid in advance as at 31 December of the year under review as contribution for Local Government Pension Fund had been omitted in the accounts.
- (b) A sum of Rs. 118,292 recovered as staff security deposits from 28 officers as at 31 December of the year under review had been omitted in the accounts.
- (c) Action had not been taken during the year under review to clear a credit balance of Rs.18,981 in the Suspense Account that had not been cleared over a number of years.

- (d) Action had not been taken during the year under review to settle a sum of Rs.7,716,691 being the total of balances payable to 270 creditors as at 31 December of the year under review.
- (e) Although the interest income from fixed deposits accounts as at 31 December of the year under review according to the bank certificates was Rs. 131,867, according to the ledger account it had been shown as Rs. 285,712 by overstating in a sum of Rs. 153,845.
- (f) Although salary reimbursements receivable as at 31 December of the year under review according to the account was Rs. 1,743,485, according to the registers that value had been Rs. 4,639,345 and thereby a sum of Rs. 2,895,860 had been understated.

**1.3.2 Un reconciled Control Accounts**

While the total of Control Account balances relating to 15 items of accounts amounted to Rs.56,299,941, the total of balances of those accounts according to subsidiary registers/records amounted to Rs. 63,258,070.

**1.3.3 Accounts Payable**

Value of Accounts balances payable over 01 year as at 31 December 2010 amounted to Rs.16,786,690.

**1.3.4 Non-compliances**

Following Instances of noncompliance with laws, rules, regulations and management decisions were observed in audit.

<b>Reference to laws, rules, regulations and management decisions</b>	<b>Non-compliances</b>
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(a) Inland Revenue Act No. 10 of 2006. Section 153(02)	Although the Withholding Tax relating to a month should be remitted to the Commissioner General of Inland Revenue before 15 <sup>th</sup> of ensuing month, tax relating to 15 instances under contracts, totalling to Rs. 37,345 had been remitted after a delay ranging from 02 months to 10 months.

- (b) Establishments Code of the Democratic Socialist Republic of Sri Lanka Chapter viii Clause 10.2
- Although it is required to obtain prior approval of Head of the Institution to engage to work during week-ends or on public holidays, officers had been engaged without obtaining such approval.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.
- (i) F.R. 71
- 27 Employees not included in the approved cadre had been recruited and engaged in service without proper approval.
- (ii) F.R. 371 (2)(b)
- While sub imprests amounting to Rs. 15,000 obtained in two instances had not been settled, advances amounting to Rs. 625,651 obtained prior to the year 2001 had also not been settled.
- (iii) F.R. 371(2) (c)
- Although ad-hoc imprests amounting to Rs. 15,800 obtained in three instances should have been settled immediately after completion of the relevant works, settlements had been made after a delay ranging from 30 days to 175 days.
- (iv) F.R. 396
- According to the bank reconciliation statement for December 2010 relating to the Sabha's bank account, action had not been taken in terms of laid down requirements with regard to 19 time lapsed cheques valued at Rs. 82,251
- (v) F.R. 570(c)
- Action had not been taken in terms of F.R. 571 and 572 with regard time lapsed deposits of Rs.1,298,868 over a period between 2 years to 16 years from the date of deposit.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2010 of the Sabha amounted to Rs. 228,487, as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 11,898,210.

2.2 **Financial Control**

(a) According to the bank reconciliation statement of the account No. 81-1001-9287744 in the Peoples' Bank, Ruwanwella, furnished as at 31 December of the year under review, value of 06 cheques amounting to Rs.275,437 and a “cash deposit” of Rs. 299,457 made on 31 December 2010 had been treated as unrealised. Action had not been taken to settle this issue up to now.

(b) Action had not been taken to settle a sum of Rs. 53,960 shown as erroneous deposit made on 07 May 2010 in the bank reconciliation statement furnished as at 31 December 2010 relating to the account No. 81-1001-4928780 in the Peoples' Bank, Ruwanwella.

2.3 **Revenue Administration**

2.3.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information relating to estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding year as furnished by the Chairman is given below.

<u>Items of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u>
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
	‘000	‘000	‘000	‘000	‘000	‘000
i. Rates and Taxes	990	1,814	1,338	880	395	1,858
ii. Lease Rent	9,227	8,184	759	6,960	5,090	--
iii. License Fees	294	343	80	186	148	161
iv. Other Revenues	32,652	25,250	6,481	11,851	11,851	535

### 2.3.2 Court Fines

Fines amounting to Rs. 235,315 recovered under various Ordinances and remitted up to 31 December 2010 to the Chief Secretary by a Magistrate Court were due to the Sabha.

### 2.3.3 Stamp Fees

Stamp fees amounting to Rs. 1,443,120 were due from the Registrar General as at 31 December 2010.

### 2.4 Expenditure Structure

The budgeted and the actual expenditure of the Sabha together with variances for the year under review and the preceding year is given below.

<u>Item of Expenditure</u>	<u>2010</u>			<u>2009</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
	‘000	‘000	‘000	‘000	‘000	‘000
<b><u>Recurrent Expenditure</u></b>						
Personal Emoluments	26,719	23,390	3,329	23,358	22,944	414
Other	<u>18,516</u>	<u>12,430</u>	<u>6,086</u>	<u>11,122</u>	<u>7,402</u>	<u>3,720</u>
Sub Total	45,235	35,820	9,415	34,480	30,346	4,134

Capital Expenditure	<u>21,750</u>	<u>4,697</u>	<u>17,053</u>	<u>24,070</u>	<u>2,622</u>	<u>21,448</u>
Grand Total	<u>66,985</u>	<u>40,517</u>	<u>26,468</u>	<u>58,550</u>	<u>32,968</u>	<u>25,582</u>
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## 2.5 Human Resources Management

### Approved and Actual Cadre

Information relating to approved and actual cadre of the Sabha as at 31 December 2010 is given below.

<b>Grade of Employee</b>	<b>Approved</b>	<b>Actual</b>
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Staff	01	01
Secondary	25	24
Preliminary	58	46
Others (Casual, Temporary)	--	27

## 2.6 Assets Management

### 2.6.1 Idle and Under-utilised Physical Revenue

Audit sample checks revealed an idle and under utilised tractor and a cab value of which could not be determined.

### 2.6.2 Accounts Receivable

While the total of Accounts Receivable balances as at 31 December 2010 amounted to Rs. 8,900,141 total of balances due for more than one year amounted to Rs.812,193.

### 2.6.3 Outstanding Staff Loans

While the total of outstanding balances of staff loans and advances as at 31 December 2010 amounted to Rs. 8,474,542, total of balances due for more than one year amounted to Rs.115,057.

2.6.4 **Non-moving Current Assets**

Value of assets that had not been moving for more than one year as at 31 December 2010 amounted to Rs. 1,993.

2.6.5 **Assets not Verified.**

Value of assets that had not been confirmed through board of survey reports and value calculated on the basis of book values as at 31 December 2010 amounted to Rs.35,429,598.

2.7 **Operational Inefficiencies.**

Following observations are made.

(a) **Purchases**

In spite of the fact that there were registered suppliers for goods and services, according to a sample check it was revealed that goods such as electric fans, water filters, digital cameras etc. valued at Rs. 135,933 had been purchased during the year under review from the Ruwanwella Co-operative Lending Society as direct purchases without calling for quotations.

Apart from the financial loss to the Sabha due to purchases made without obtaining competitive quotations, the opportunity of purchasing high quality and standard goods had been missed.

(b) **Payment of Travelling Expenses**

The Chairman had travelled out side the area of authority of the Sabha on official duties for about 22 to 25 days in a month and had obtained a sum of Rs. 65,500 as subsistence allowance. It was observed in audit that opportunity for attending to development works and peoples' needs in the area of authority had missed due to engaging in duties outside the area of authority of the Sabha.

2.8 **Contracts Administration**

**Delays in Implementation of Projects.**

There had been a long delay in implementing the following project.

<b>Project</b>	<b>Estimated Cost</b>	<b>Date of Commencement</b>	<b>Target Date</b>	<b>Expenditure incurred for completion up to 31 December</b>	<b>Reason for the delay</b>
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	Rs.			Rs.	
Concreting a part of the Doranuwa Canada Friendship Road	70,654	2009.11.30	2009.12.30	--	Contract Society had been back listed.
Concreting Yatanwala Kanda Road	60,000	2009.12.13	2010.12.26	--	Agreement cancelled.

03 **Systems and Controls**

Special attention is drawn to following areas of systems and controls.

- (a) Accounting.
- (b) Supplies Management.
- (c) Assets Management.