

## **Rambukkana Pradeshiya Sabha**

### **Kegalle District**

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

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

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 22 June 2015.

##### **1.2 Opinion**

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 Rambukkana Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Public Sector accounting standards of Sri Lanka.

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

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

Following matters are observed.

- (a) Stamp Fees amounting to Rs.9,205,102 to be received from the Sabaragamuwa Provincial Council for the period from April to September 2014 had not been taken to accounts. Due to that, surplus relevant to the year had been understated to that extent.
- (b) While schedules relevant to Stamp Fees to be received for the period from October to December 2014 had not been received, action had not been taken to account an estimated revenue in that connection.
- (c) As Stamp Fees to be received as at the end of preceding year had not been accounted, Stamp Fees amounting to Rs.8,045,307 received during the year under review in respect of the preceding year had been accounted as Stamp Fees relevant to the year under review.

- (d) Interest amounting to Rs.1,033,637 for Local Loans and Development Fund relevant to the preceding year had been accounted as Interest Expenditure of the year under review.
- (e) Interest amounting to Rs.558,588 payable to the Local Loans and Development Fund relevant to the final quarter of the year 2012 had not been accounted. Due to that, Accumulated Fund and the Creditors had been understated to that extent.
- (f) Penal Interest amounting to Rs.29,532 payable to the Local Loans and Development Fund for loan installments in arrear had not been accounted. Due to that, surplus for the year and Creditors had been understated to that extent.
- (g) Sundry Expenses amounting to Rs.65,824 relevant to the year 2014 paid during the year 2015 had not been accounted as Expenditure of the year under review.

### **1.3.2 Non-reconciled Control Accounts**

While the total of balances relevant to 07 items of accounts according to financial statements was. Rs.83,095,810, according to the subsidiary registers and records relevant to those accounts the total of balances had been Rs. 88,568,419 indicating a difference of Rs.5,472,669.

### **1.3.3 Accounts Receivable and Payable**

Following matters are observed.

- (a) Out of the value of balances amounting to Rs. 8,834,978 relevant to the Other Revenue in arrears as at 31 December 2014, a sum of Rs. 3,756,086 being 42 per cent of that had been old for more than a year.
- (b) The Expense Creditors balance of Rs. 3,250,034 as at 31 December 2014 had been old for more than a year.

#### **1.3.4 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.) Public Enterprises Circular No. PED-33 dated 19 December 2005	- In spite of stipulation that it is required to invest surplus funds of the entity only through the State Banks when making investments, contrary to that, a sum of Rs.100,000 had been invested in Treasury Bills on 22 August 2006 through a private agent named 'First Capital'. That Investment had been Rs.232,879 as at 31 December 2014.
(b.) Extra Ordinary Gazette Notification No. 520/7 dated 23 August 1988 Republic of Sri Lanka Provisions in By-laws -Part 39	- Action had not been taken up to 11 November 2014 either to recover charges from the owners of the publication institutions after making inquiries with regard to the balance of permanent and temporary name boards exhibited in the area of authority of the Sabha, except the 13 name boards registered during the year 2014 or to remove those.
(c.) Financial Rules of the Provincial Council in Sabaragamuwa Province	
(i.) Rule 261.2.2	- Ad-hoc Sub-Imprest totalling Rs. 112,103 obtained in 03 instances during the years 2012 and 2013 had not been settled up to the time of audit in April 2015.

- (ii.) Rule 283
  - Action in terms of provisions had not been taken with regard to 56 cheques totalling Rs. 77,226 issued, but not presented for payment.
- (d.) Financial Regulations of the Republic Sri Lanka
  - (i.) F.R. 571
    - Deposits totalling Rs. 4,506, 253 remained unclaimed during a period more than two to five years had not been taken to revenue.
  - (ii.) F.R. 1146
    - Running Charts for the period from March to September 2014 relevant to 11 vehicles belong to the Sabah had not been furnished to audit.

## 2. **Financial Review**

### 2.1 **Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.14,642,635 as compared with corresponding excess of revenue over recurrent expenditure amounted to Rs. 18,006,363 in the preceding year indicating a down fall of Rs. 3,363,728 in the financial results during the year under review.

### 2.2 **Analytical Financial Review**

Decrease of revenue in 03 Items of Revenue and increase of expenditure in 05 Items of Expenditure had mainly affected the decline of the financial result in a sum of Rs.3,363,728 for the year under review.

## 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	Arrears as at 01.01.2014	Recoveries out of Arrears as at 31.12.2014	Billings during the year 2014	Recoveries out of billings for the year	Recoveries out of arrears as at 01.01.2014	Out of billings for the year	Total Arrears
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	3,056,270	1,667,894	5,425,697	4,154,628	1,388,376	971,069	2,539,445
(ii) Lease Rent	565,714	387,556	6,486,396	6,016,921	178,158	469,475	647,633
(iii) Licence Fees	684,000	-	2,676,822	2,651,054	684,000	25,769	709,769
(iv) Other Revenue	5,203,197	-	66,452,491	64,294,484	5,023,197	2,158,007	7,361,204

### 2.3.2 Court Fines and Stamp Fees

Amounts receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
i. Court Fines	2,812,501
ii. Stamp Fees	9,205,102

### 2.3.3 Advertisement Boards Charges

Action had not been taken to recover revenue of Rs. 66,600 from 04 permanent advertisement boards and 01 temporary permanent advertisement boards during the year under review.

### 2.3.4 Acreage Tax

While the Acreage Tax in arrears as at 01 January 2014 was Rs.127,388, amount recovered out of arrears as at 30 September 2014 had been a low percentage of 16.62% as Rs.21,174. A tax amounting to Rs.2,207 due from 06 tax payers had been in arrears during a period of 08 years.

### **3. Operating Review**

#### **3.1 Operating Inefficiencies**

Following matters are observed.

- (a) Action had not been taken even as at 11 November 2014 to recover the total value of Rs. 100,091 including the Rs80,073 value of shortage of books and 25% fine, relevant to the Board of survey of the Imbulgasdeniya Library as at 31 December 2012.
- (b) While a sum of Rs. 200,000 due from Kegalle Pradeshiya Sabha had been disclosed continually under Non-moving Assets in the accounts since 1987, action had not been taken to recover it.
- (c) Although a sum of Rs. 328,455 had been spent for construction of a cash counter for the Pinnawala Public Latrine during the year under review, cash recoveries had not been made up to May 2015.

#### **3.2 Improper Transactions**

On 17 November 2014, 424 Flag Posts valued at Rs. 469,928 had been provided to the Sabha from the Divineguma Development Department. While 319 Flag Posts had been withheld in the Sabha Ground, 33 Flag Posts valued at Rs. 36,574 had been issued to the branch societies of the political parties. 72 Flag Posts valued at Rs 72,799 had been misplaced. It was observed at the physical inspection carried out on 23 March 2015 that the receipt of these goods had not been recorded in the inventory books, in terms of the financial regulations.

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

#### **4.1 Budgetary Control**

Out of the provisions made available through the Budget for the year 2014, the entire provision totalling Rs.2,297,000 in 24 instances had been saved, while expenditure totalling Rs.623,346 had been incurred exceeding the estimated provisions relevant to 09 items of expenditure. Accordingly, the Budget had not been made use of as an effective tool of financial management.

5. **Systems and Controls**

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

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