

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 09 March 2016 and the financial statements for the preceding year had been presented on 16 July 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 28 June 2016.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Ruwanwella Pradeshiya Sabha as at 31 December 2015 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

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- (a) A sum of Rs.218,840 had been overpaid to the Commissioner General of Inland Revenue as Nation Building Tax for the years 2013 and 2014. However, the over payment had not been disclosed in the accounts.
 - (b) The court fines of Rs.7,323,038 received for the year 2014 had been accounted as revenue of the year under review. As such, the surplus had been overstated by a similar amount and the Accumulated Fund had been understated by a similar amount.
 - (c) The stamp fees of Rs.12,049,808 received for the years 2013 and 2014 had been accounted as revenue of the year under review and as such the surplus had been overstated by a similar amount and the Accumulated Fund had been understated by a similar amount.
 - (d) The Dumanaya machine valued at Rs.178,710 had been received from the Ministry of Public Administration on 15 June 2015. This had not been accounted under machinery and as such the value of machinery had been understated by a similar amount.

- (e) It was observed that the creditors amounting to Rs.121,202 had been understated in the accounts as per paid vouchers of first three months of 2016.
- (f) Although the approval of the Sabha had been obtained on 19 January 2015 to write off the stall rent of Rs.87,789 remaining arrears since 2013, the arrears of stall rent had been overstated by a similar amount as action had not been taken accordingly.
- (g) Six garbage carts purchased for Rs.265,400 had not been accounted under the Motor Vehicles and Cart Account and as such the Motor Vehicle and Cart Account had been understated by a similar amount.
- (h) Furniture and fittings valued at Rs.177,510 had been purchased in the year 2017. As these had been accounted for, the furniture and fittings had been understated by a similar amount.
- (i) The amount shown in the accounts as land and buildings of the year under review was Rs.27,005,095. However, schedules relating to these had not been furnished with the accounts. According to the register of fixed assets, the correct value of 08 blocks of land of 15 acres and 12 perches had not been assessed and accounted for. The value of 50 other blocks of land had not been disclosed in the accounts.

1.3.2 Unreconciled Control Accounts

The balances of 06 items of accounts as at end of the year under review totalled Rs.28,195,173 as per financial statements. But, the total balances of the accounts amounted to Rs.22,243,240 as per sub registers/ reports resulting in a difference of Rs.5,951,883.

1.3.3 Suspense Account

Action had not been taken to settle the credit balance of the Suspense Account totalling Rs.18,981 as at 31 December 2015.

1.3.4 Accounts Receivable and Payable

- (a) The accounts receivable as at 31 December 2015 amounted to Rs.27,888,932 as at 31 December 2014. The balances of accounts over 01 year aggregated Rs.4,072,164.
- (b) The balances of accounts payable as at 31 December 2015 amounted to Rs.19,927,145. The balances of accounts over 01 year aggregated Rs.9,938,463.

1.3.5 Non-compliance with Laws, Rules, Regulations

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 Republic
of Sri Lanka

(i) F.R. 387

Overdraft facilities had been obtained in 2
current accounts as at 31 December of the
year under review.

(ii) F.R.396(d)

Action had not been taken in terms of the
said regulation with regard to 15 lapsed
cheques of Rs.40,097 exceeding 06 months.

(b) Establishments Code of the Re public
of Sri Lanka

(i) Section 13.7 of Chapter ii and
the circular of the Department
of Local Government
No.CL/97/2015 of 30
September 2015.

Additional remuneration is not entitled for
covering up duties pertaining to a post.
However, a monthly allowance of Rs.10,000
had been paid to the Acting Secretary of the
Sabha during the year under review.

(ii) Sub section 1.1 of Chapter xxi
and the Public Administration
circular No. 05/2013

Uniforms could be issued to officers so as to
easily identify their duties while on duty.
However, an on the spot inspection made on
19 November 2015 showed that the officers
who had obtained uniforms had not been
dressed in their uniforms. The amount paid in
this connection in 2015 amounted to
Rs.203,545.

(c) Financial Rule 261.2.2 of the
Financial Rules Code of the
Sabragamuwa Province.

The advance of Rs.305,385 paid in 2015 had
not been settled even by 22 April 2016.

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 2015 amounted to Rs.6,928,231 as against the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.2,567,191 showing an improvement in financial results of the year under review by Rs.4,361,040.

2.2 Analytical Financial Review

The increase in 04 items of revenue and the decrease in 05 items of expenditure had mainly attributed to the improvement in financial results by Rs.4,361,040.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The information relating to revenue billed, actual revenue and the arrears of revenue, as presented by the Secretary appear below.

| Source of Revenue | Arrears as at 01.01. 2015 | Recoveries out of the arrears as at 31.12. 2015 | Amount billed for 2015 | Recoveries out of the amount billed for the year | Arrears as at 01.01. 2015 | Arrears out of the amount billed for the year | Total Arrears |
|-------------------|---------------------------|---|------------------------|--|---------------------------|---|---------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rates and Taxes | 2,417 | 533 | 1,966 | 1,063 | 1,884 | 903 | 2,787 |
| Lease Rent | 2,664 | 611 | 6,501 | 5,087 | 2,053 | 1,414 | 3,467 |
| Licence Fees | 80 | 01 | 166 | 166 | 79 | - | 79 |
| Other Revenue | - | - | 2,077 | - | - | - | - |

The following differences were observed while comparing the financial statements with the above arrears of revenue report.

| Source of Revenue ----- | Balance as per final accounts ----- | Balance as per arrears of revenue report ----- |
|----------------------------|---|--|
| | Rs.'000 | Rs.'000 |
| Rates and Taxes | 3,236 | 2,787 |
| Lease Rent | 6,352 | 3,467 |
| Licence Fees | 364 | 79 |

2.3.2 Rates and Taxes -----

Rates and taxes amounting to Rs.269,039 were due from owners of properties who had neglected payment of rates and taxes for over 04 years. Action had not been taken to recover this in terms of provisions in Section 158(1)(a) of the Provincial Councils Act No.15 of 1987.

2.3.3 Business Tax -----

Action had not been taken to recover business tax from service organizations that operate within the authoritative area of the Sabha.

2.3.4 Other Revenue -----

- (a) Out of the balances of arrears of 10 categories of revenue of Rs.5,161,293 as at 01 January 2015, a sum of Rs.932,240 only had been recovered as at 31 October 2015. The recovery of balances of recovery was at a very low level of 18 per cent.
- (b) Action had not been taken to identify specific places for parking vehicles within the limits of the Sabha and to enact bye- laws accordingly. As a result, the revenue obtainable had been deprived of.
- (c) Fees had not been recovered for advertisement boards and banners exhibited within the authoritative area of the Sabha. Fees had not been recovered for advertisement board of extensive sizes too.

3. Operating Review -----

3.1 Management Inefficiencies -----

- (a) There were shortages of 18 officers in 08 posts of the Sabha and excess of 19 persons in 4 posts. The approved cadre of labourers had exceeded. In spite of this, 21 persons had

been on contract basis. Collection of money of the Sabha recruited and banking of same had been entrusted to a.k.k.s.

- (b) A suitable officer should be appointed for the post of Secretary of the Sabha in terms of Section 9 of the Pradeshiya Sabha Act No.15 of 1987. However, a junior lady officer had been appointed while there were several suitable senior officers to cover up duties.

3.2 Operating Inefficiencies

- (a) The Chairman of the Sabha had approved the construction of a two storied building with the basement consisting 17 stalls in the public market premises of the Sabha without considering the limits applicable for construction of buildings.
- (b) The General Council had decided in April 2013 to offer newly constructed stalls to those persons who had been deprived of business stalls as a result of implementation of the town development programme. However, “Key money” had been obtained from 06 persons whose names had not been included in the old register of stall rent. The construction of two stories with the basement alone had been completed. However, the court of law had suspended construction on 14 June 2013.
- (c) The land and the community centre of the Pemsisigama Udakala Village had been vested with the Sabha by the National Housing Development Authority on 03 February 1987. However, action had not been taken to obtain the legal rights. The old community centre building and the commemoration plaque too had been removed and the funds of the Provincial Council had been utilized for constructing the new building. Extensive quantity of soil had been removed from this place and a path leading to the adjoining land had been created. But, this had not been inquired into and action taken accordingly.
- (d) The old JBC machine had been used for 507.96 metre hours as per 3,047.8 litres of fuel used during the period January to July 2015. But, a revenue of Rs.87,000 only had been obtained for 44.4 metre hours. Accordingly, a revenue of Rs.908,327 for 463.56 metre hours had been deprived of. The fuel supplied to the new JBC machine was 189,227 litres and the machine could have been used for 252.16 metre hours. However, a sum of Rs.102,075 only had been obtained as revenue for 50.8 metre hours. The Sabha had been deprived of the revenue for 201.3 metre hours.
- (c) The provision obtained from the Ministry of Highways, Chief Ministry, Environmental Authority and the Provincial Council during the year 2015 had been spent via the General Deposit Account. The savings amounted to Rs.2,429,781.

3.3 Irregular Transactions

Funds from the Provincial Council amounting to Rs.1,020,000 and funds from the Sabha amounting to Rs.500,000 had been spent to purchase 600 hume pipes on 22 July 2015 and 15 May 2015 contravening the provisions in Section 2.14.1 of the Government Procurement

Procedure. But, 505 pipes remained as balance even as at 19 November 2015. The purchase and distribution of these huge pipes had not been entered in the stock books.

3.4 Solid Waste Material Management

- (a) The Korean Environmental Organization had granted an advance of Rs.1,417,917 for the project relating to separation and collection of garbage at the place where it originates and had informed that the second stage of it should be completed by May 2014 and the related bills forwarded to the Ministry of Local Government before 31 March 2015. However, the bills relating to the expenditure of Rs.1,013,566 had not been forwarded for reimbursement even by 19 November 2015.
- (b) The Government Procurement Procedure should be followed for implementation of a project. However, purchases for Rs.33,470 had been made deviating from the procurement procedure.
- (e) Two hundred bags out of the 500 yellow and green bags purchased for the project at a cost of Rs.166,250 on 30 July 2014 and 168 plastic containers out of the 270 plastic containers purchased for Rs.144,450 on 30 December 2014 remained at the stores without being distributed even by 19 November 2015.

4. Accountability and Good Governance

4.1 Assets Management

Idle and Under Utilized Assets

The Ruwanwella Week end fair constructed by spending Rs.36,381,805 under the Deyata Kirula National Development Programme had been handed over to the Pradeshiya Sabha on 15 January 2015. But, this had not been made use of, up to 19 November 2015.

4.2 Unresolved Audit Queries

Replies had not been furnished for 06 audit queries by 16 May 2016. The value of computable transactions of those queries were valued at Rs.9,179,956.

3. Systems and Controls

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

- (i) Accounting
- (ii) Revenue Administration
- (iii) Assets Management