

**Rambukkana 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 28 February 2017 and the financial statements for the preceding year had been presented on 24 March 2016. The report of the Auditor General for the year under review had been presented to the Secretary of the Sabha on 30 June 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 Rambukkana 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 were observed.

- (a) The interest income receivable in respect of the year under review for the Fixed Deposits amounting to Rs. 5,000,000 deposited in the Savings Bank of Rambukkana had not been brought to account and as such the revenue had been understated by Rs. 241,056.
- (b) As 2 vehicles and one machine valued at Rs. 145,475 shown in the Register of Fixed Assets had not been brought to account, the Motor Vehicles and Cart Account, Machinery Account and the Capital Contribution to Revenue Account had been understated by Rs. 75,475, Rs. 70,000 and Rs. 145,475 respectively.
- (c) Even though, 02 lands and 01 building valued at Rs. 21,000 had been acquired during the year under review, those assets had not been shown as additions in the financial statements and as such Land and Buildings and Capital Contribution to Revenue Account had been understated by Rs. 21,000.
- (d) As the stamp fees receivable at the beginning of the year under review had been brought to account as Rs. 28,672,949 and Rs. 11,143,299, the Revenue Debtors and the Accumulated Fund as at 31 December 2016 had been understated by Rs. 17,529,650.
- (e) As the court fines receivable at the beginning of the year under review had been brought to account as Rs. 2,221,084 and Rs. 2,144,998 the Revenue Debtors, and Accumulated Fund had been understated by Rs. 76,086.
- (f) Even though, the revenue received in advance had been Rs. 1,195,397, that had been brought to account as Rs. 1,030,890 and as such the current liabilities had been

understated by Rs. 164,507 and the surplus for the year under review had been overstated by similar amount.

- (g) A sum of Rs. 306,525 received from Backhoe Machine, Motor Grader Machine and Bobcat Machines for the year under review had not been brought to account as revenue and as such the revenue for the year had been understated by similar amount.
- (h) The revenue from Backhoe Machine amounting to Rs. 87,975 received in respect of the year 2015 had been brought to account as the revenue for the year under review and as such the revenue had been overstated by similar amount.
- (i) The Land and buildings valued at Rs. 111,329,566 existed according to the Register of Fixed Assets had not been brought to account and as such the Land and Buildings and the Capital Contribution to the Revenue Account had been understated by similar amount.
- (j) The expenditure for the previous year had been shown as the expenditure for the year under review and as such the expenditure for the year under review had been overstated by Rs. 141,105.
- (k) As the expenditure amounting to Rs. 14,005 relating to the year under review had not been brought to account, the expenditure for the year had been understated by a similar amount.

### **1.3.2 Unreconciled Control Accounts**

According to the financial statements, the total of the balances relating to 12 items of accounts amounted to Rs. 125,372,672 whereas the total of the balances of accounts according to the related subsidiary Registers/ Reports amounted to Rs. 152,670,019 resulting in a difference amounting to Rs.27,297,392.

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

The total of the value of the balances receivable and payable exceeded for over 01 year period as at 31 December 2016 amounted to Rs. 2,380,507 and Rs. 12,992,589 respectively.

### **1.3.4 Non compliance with Laws, Rules, Regulations etc.**

The following non-compliances with laws, rule, regulations and management decisions were observed in audit.

#### **Reference to Laws, Rules, Regulations and Management Decisions**

#### **Non – compliance**

- (a) Pradeshiya Sabha Act No. 15 of 1987  
Section 158(1)

Action had not been taken in respect of the recovery of rates amounting to Rs. 1,350,000 which recoverable since over one year period.

- (b) Environment Act No. 47 of 1980 as amended by the Acts No. 56 of 1988 and No. 53 of 2000 and the Gazette Notification No. 1533/16 dated 25 January 2008 and the Guidelines for the Implementation of the powers in the above Act.  
Sections 1.2 and 1.1.6
- The licences of 27 works of which the licence period was expired had not been renewed and necessary actions thereon had not been taken.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) F.R 371 (2)b
- Even though the ad hoc sub – imprests should be settled immediately after the respective purpose completed, the unsettled imprest balance as at 31 December 2016 amounted to Rs. 1,434,148.
- (ii) F.R 396(d)
- Action had not been taken on 55 cheques valued at Rs. 84,254 issued but not presented for payment within 06 months.
- (iii) F.R 1646
- Even though, the Daily Running Charts and the Monthly Performance Summaries should be furnished before 15 day of the month. following, the Running Charts in respect of 12 vehicles had not been furnished.
- (c) Establishments Code of the Democratic Socialist Republic of Sri Lanka  
Chapter XXIV Section 10.4
- Action had not been taken to recover the loan balance of an officer who vacated the post amounting to Rs. 58,300.
- (d) Extra Ordinary Gazette Notification No. 1597/8 of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009
- In construction of telecommunication towers, Development Permits and processing fees should be recovered depending on its heights. However, charges of Rs. 352,000 had not been recovered for 14 telecommunication towers installed within the area of the Sabha.

## 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.20,595,422 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 20,327,341 thus indicating an increase of Rs. 268,081 in the financial results during the year under review.

### 2.2 Analytical Financial Review

Increase in 05 items of revenue and the decrease in 04 items of expenditure had mainly attributed to the improvement in financial results of Rs. 268,081 during the year under review.

### 2.3 Revenue Administration

#### 2.3.1 Performance in Collection of Revenue

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

Source of Revenue	Arrears as at 01 January 2016	Recoveries out of the arrears as at 31 December 2016	Amount billed for 2016	Recoveries out of the amount billed for the year	<u>Arrears as at 31 December 2016</u>		
					Arrears as at 01 January 2016	Arrears out of amount billed for the year	Total Arrears
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	2,205	855	5,740	5,116	1,350	624	1,974
(ii) Lease Rent	751	32	8,189	8,237	719	-48	671
(iii) Licence Fees	13	13	3,578	3,578	0	0	0
(iv) Other Revenue	19,278	31,016	78,126	50,854	-11,738	27,272	15,534
<b>Total</b>	<b>22,247</b>	<b>31,916</b>	<b>95,633</b>	<b>67,785</b>	<b>-9,669</b>	<b>27,848</b>	<b>18,179</b>

#### 2.3.2 Other Income

The following matters were observed.

##### (a) Revenue from Telecommunication Transmission Towers

Even though, an annual tax of Rs. 3,000 per tower should be recovered in respect of installation and maintenance of Telecommunication Transmission Towers, taxes amounting to Rs. 48,000 had not been recovered in respect of 08 towers for the years 2015 and 2016.

**(b) Revenue from Advertising Hoardings**

The following matters were observed.

- (i) The permission should be obtained on written licence to display advertising hoardings in the authoritative area of the Sabha. Nevertheless, a sum of Rs. 153,225 had not been recovered from 14 advertising hoardings which were displayed without such a permission.
- (ii) Even though, a large number of advertisements in respect of private educational institutions and the teachers had been displayed, action had not been taken to recover the fees from those institutions.
- (iii) Thirty advertising hoardings more than the permitted number had been displayed without paying fees to display in respect of land auctions.
- (iv) A sum of Rs. 108,000 should be recovered for the advertisements of a private telecommunication company of which displayed in various trade stalls. But action had not been taken to make recoveries.

**2.3.3 Court Fines and Stamp Fees**

The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016 had been Rs. 2,090,714 and Rs. 5,600,783 respectively.

**3. Operating Review****3.1 Performance**

The weekly fair of Rambukkana for which completed the work on 05 August 2014 by incurring a cost of Rs. 23,746,095 on the Provincial Council provisions under Small Towns Development Plan in the year 2013 had not been utilized even by 31 May 2017 and the weekly fair is being maintained in the land of the old fair was situated.

**3.2 Management Inefficiencies**

The following matters were observed.

- (a) Seventeen Casual employees employed in the Sabha had been converted to members of the Public Service Provident Fund from October 2014 and a sum of Rs. 81,023 also had been paid to the Employees Trust Fund from October 2014 to December 2016 as the contribution of the Sabha for those employees.
- (b) The monthly rental had not been mentioned in the agreements entered into in providing 11 trade stalls which constructed in the New Trade Complex.
- (c) The loans recoverable from 09 employees who obtained staff loans and transferred out during the period between the year 1997 and 2015 totalled to Rs.259,528.

- (d) The approved cadre and actual cadre in 13 categories of posts as at 31 December 2016 had been 90 and 86 respectively. The vacancies of 17 officers/ employees in 10 posts had existed in the approved cadre and 13 excess officers/ employees had existed in 03 categories of posts.

### 3.3 Operating Inefficiencies

The following matters were observed.

- (a) Seven works previously operated in the authoritative area of the Sabha had been eliminated from the licence Register as those were not operated at present. However, it was not ensured that, those are not actually operated at present.
- (b) If temporary advertising hoardings are displayed more than one month the fees to be recoverable had not been specified, in the Gazette Notification No. 1942 dated 20 November 2015. As such the receivable fees from the advertising hoardings displayed for more than one month had been deprived by the Sabha.
- (c) Even though, 05 trade stalls of which completed the works in the new Trading Complex had been opened by the old trade stall owners, action had not been taken according to the decision of the Management Committee on 15 March 2016 to recover key money and rent of the trade stalls amounting to Rs. 2,182,500 and Rs. 208,000 respectively and to enter into an agreement with the owners of the trade stalls even by 06 February 2017.
- (d) Twenty acres of land in the authoritative area of the Sabha had been sold during the years 2015 and 2016 and the methodology to be followed in the recovery of tax on sales of the land in the authoritative area of the Sabha had been mentioned clearly in the Circular No. 2005/04 of the Commissioner of Local Government, Sabaragamuwa dated 01 June 2005 but action had been taken deviating the above methodology. Even though, 01 per cent of deposit amount should be obtained on the temporary assessment of the Revenue Administrator before taking the approval of the partitioning plan, but action had not been taken accordingly. Even though, an agreement should be entered into, to pay relevant tax with the report inclusive of details such as deed numbers of the land blocks etc., the conditions in respect of payments will be made within 03 months had not been included in the agreement entered into. Even though, the Revenue Administrator should ensure the accuracy of the details supplied by the seller from the Land Registry in terms of Section (x) of the above Circular, action had not been taken so on, and the copies of the deeds also had not been obtained by the Sabha.
- (e) More than 145 land blocks in the land in extent of 12 Acres 02 Roods and 19 Perches of the Bandarawatta, Rambukkana had been sold, and it was revealed that the sales price of one perch of the said land had been more than the assessment value by an amount ranging from Rs. 20,000 to Rs. 50,000. Accordingly a loss of Rs. 307,800 at least had been incurred by the Board due to recovering only 01 per cent of tax without ensuring the sales

value. Similarly the sales value had not been established in respect of 86 land blocks of 819 perches in 3 lands sold within the authoritative area of the Sabha and 01 per cent of tax had not been recovered.

- (f) According to the Extra Ordinary Gazette Notification No. 392/9 of the Democratic Socialist Republic of Sri Lanka dated 10 March 1986 and the Order No. 22/(1) of the Urban Development Authority Act No. 41 of 1978 the suitable places for Community and Recreation activities should be allocated in extent not less than 10 per cent out of the land extent after the land allocation made for streets, in the instances of more than one hectare. Instead of taking action as above in respect of 2 lands, 10 per cent had been allocated from the balance portion after deducting the portion allocated for common amenities. As such, 19.15 perches with a minimum value amounting to Rs. 957,500 had not been received by the Sabha.

### **3.4 Solid Waste Management**

The project commenced for the production of compost from the garbage collected in the authoritative area of the Pradeshiya Sabha had been maintained on annual rental basis in a land belonging to the Department of Forest Conservation while there was no permanent land belonging to the Sabha for that purpose. After the production of composts the remaining waste also disposed to the same land. Even though, action had been taken for the Public awareness to manage and dispose the garbage generating within the area, it was observed that Sabha had not categorised waste and collected.

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

### **4.1 Assets Management**

Action had not been taken to vesting of 04 vehicles valued at Rs. 26,610,000 and 07 vehicles valued at Rs. 12,695,150 utilized by the Sabha received from the Ministry of Local Government and from Sabaragamuwa Provincial Council respectively and those assets had not been disclosed in the assets accounts.

### **4.2 Budgetary Control**

Hundred per cent of provisions made for 43 Objects totalling Rs. 9,942,000 in the Budget for the year under review had been saved and out of the provisions made for another 15 Objects a sum of Rs. 6,792,971 or ranging from 80 per cent to 99 per cent had been saved. Accordingly, provisions of Rs. 16,734,971 had not been utilized for the activities of the Sabha.

### **4.3 Internal Audit**

An adequate internal audit in respect of the activities of the Sabha had not been carried out.

## **5. Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of Systems and Controls.

<b>System</b> -----	<b>Observation</b> -----
(a) Accounting	<ul style="list-style-type: none"> <li>(i) Not updated the Registers of Deposits, Advances Staff Loans and Creditors Ledgers</li> <li>(ii) Not updated the Register of Fixed Assets</li> <li>(iii) Understatement of Accrued Revenue and Expenditure in the accounts.</li> </ul>
(b) Budgetary Control	<ul style="list-style-type: none"> <li>(i) Significant savings on Provisions.</li> </ul>
(c) Revenue Administration	<ul style="list-style-type: none"> <li>(i) Non – recovery of arrears of Revenue.</li> <li>(ii) Non – recovery of fees for certain advertising hoardings.</li> <li>(iii) Action not taken to provide licences for certain industries.</li> </ul>
(d) Motor Vehicle Control	<ul style="list-style-type: none"> <li>(i) Non-furnishing Daily Running Charts</li> <li>(ii) Not updated the vehicle log books.</li> </ul>