

**Ruwanwella Pradeshiya Sabha**  
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**Kegalle District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The financial statements for the year under review had been presented to audit on 25 April 2017 and the financial statements for the preceding year had been presented on 09 May 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 14 July 2017.

**1.2 Qualified Opinion**  
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In my opinion, except for the effects on the financial statements 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 Ruwanwella 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**  
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**1.3.1 Accounting Deficiencies**  
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The following matters were observed.

- (a) Even though, the value of fixed assets as at 31 December 2016 amounted to Rs.270,087,813, the balance of the Revenue Contribution to Capital Outlay Account amounted to Rs.269,212,752, thus resulting in a difference of Rs.875,061.
- (b) The over charged rates and taxes amounting to Rs.173,095 in the current year had been brought to account under rates and taxes without being brought to account under fines and warrant charges and as such the rates and taxes had been overstated and penalty and warrant charges had been understated by similar amount.
- (c) Five trailers, 02 tractors, one compactor trailer and a cab vehicle which not included in the Fixed Assets Register had not been brought to account as Motor Vehicles and Machinery according to the Boards of Survey Reports.
- (d) As the provisions had not been allocated under debtors and creditors for receivables and payables amounting to Rs.53,560,648 for the works completed under the provisions of various Ministries and Departments, the debtors and creditors had been understated by similar amount.

- (e) As the payments amounting to Rs.1,083,550 relating to the works constructed in the year under review had been brought to account as the expenditure of the year 2017, the expenditure for the year under review had been understated by similar amount.

### **1.3.2 Unreconciled Control Accounts**

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The balances of 09 items of accounts as at end of the year under review totalled Rs.133,438,822 as per financial statements, while, the balances of the accounts totalled to Rs.150,242,890 as per subsidiary registers/ reports resulting in a difference of Rs.16,804,068.

### **1.3.3 Suspense Account**

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Action had not been taken to settle the credit balance of the suspense Account totalling Rs.18,981 as at 31 December 2016.

### **1.3.4 Accounts Receivable and Payable**

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The balances of accounts receivable and payable for over 01 year as at 31 December 2016 amounted to Rs.4,490,150 and Rs.8,887,837 respectively.

### **1.3.5 Written Evidence not made available for Audit**

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The schedules relating to 05 items of accounts totalling Rs.162,628,789 had not been presented with the financial statements.

## **1.4 Non-compliance with Laws, Rules, Regulations**

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
<b>(a) Pradeshiya Sabha Act No.15 of 1987.</b>	
Section 158 (1)(a)	Action had not been taken to recover rates and taxes amounting to Rs.114,993 due from the owners of properties who had neglected the payment of rates and taxes for over 04 years.



## 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 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	Arrears as at 01 January 2016	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
(i) Rates and Taxes	2,625	1,478	2,094	1,359	1,147	735	1,182
(ii) Lease Rent	3,153	1,321	7,222	4,426	1,832	2,796	4,628
(iii) Licence Fees	79	-	307	307	79	-	79
(iv) Other Revenue	-	-	3,594	-	-	-	-
Total	5,857	2,799	13,217	6,092	3,058	3,531	5,889

In comparing the final accounts with the above arrears of revenue report a difference in the revenue billed for 03 revenue sources amounting to Rs.7,930,000 was observed and a difference in arrears of revenue of 04 revenue sources amounting to Rs.34,521,000 was observed.

### 2.3.2 Lease Rent

The following matters were observed.

- The arrears of lease rent amounting to Rs.972,809 had existed due to not entering into lease agreements in leasing beef stalls and fish stalls in the Public Market and non-recovery of lease rent as per the agreements entered into. It was failed to identify the responsible parties for the arrears and to take formal course of action thereon, and the Sabha also had failed to furnish 15 files including lease agreements relating to the arrears.
- Even though, the sub leasing could have been made in terms of the instructions of the Paragraph 1.11 of the Circular No.2009/01 of the Commissioner of Local Government, the formal vesting had not been made for 28 trade stalls which were given on sub leasing

since long period and the approval of the Minister had not been obtained for leasing of 12 trade stalls.

- (c) Even though, the information relating to the businesses should be collected annually and identify the places which subject to the trade licenses and business tax and to recover the lease rent, such a survey had not been carried out. Even though, the lease rent had been received from 786 business places in the year 2015, the lease rent had been recovered only from 289 business places as at 31 October 2016. Action had not been taken to identify the places for which not paid lease rent and to recover or to take legal actions in terms of the provisions of the Act.
- (d) Even though, a business tax should be imposed according to the income earned in the year 2015 for every business maintained in the year 2016 in the authoritative area of the Sabha in a manner which published in the part iv (b) of the Gazette Notification of the Democratic Socialist Republic of Sri Lanka dated 08 January 2016 to impose business taxes for the year 2016, the taxes had been recovered contravening to that.
- (e) The Sabha had not identified the amount of posters, cutouts, banners which displayed in the authoritative area of the Sabha and fees for 53 large permanent advertising hoardings had not been recovered.

### **3. Operating Review**

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#### **3.1 Performance**

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A sum of Rs.2,503,306 received from various institutions to execute various purposes had been retained in the General Deposit Account without being utilized for intended purposes.

#### **3.2 Management Inefficiencies**

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The following matters were observed.

- (a) The vacancies of 11 officers in 09 posts and excesses of 31 officers in 07 posts had existed in the Sabha. Despite, there were 06 persons exceeding the approved cadre of the labourer posts, 16 persons had been recruited on contract basis.
- (b) Action had not been taken to recover a sum of Rs.378,583 recoverable since number of years from 06 employees who transferred out, retired and vacated of posts.

### **3.3 Operating Inefficiencies**

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Out of a land in extent of 12 acres 03 roods and 10 perches which fragmented and sold in the year 2013, it had obtained a land less by 2 roods and 12.04 perches even though, 10 percent of land extent to be allocated for common amenities. Similarly, an agreement had not been entered into with the seller in fragmentation and selling the land in extent of 7 acres 3.5 perches in the year 2010 and action had not been taken to vesting the land portion of 10 per cent for common amenities.

### **3.4 Idle/ Underutilized Assets**

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The following matters were observed.

- (i) Three tractors costing Rs.5,250,000 had remained idle since the year 2014 without being repaired.
- (ii) Motor vehicles and Machineries valued at Rs.904,174 and a cab vehicle and a trailer which value was not available had remained idle for number of years without being utilized.
- (iii) The mobile stage and accessories valued at Rs.485,458 had been dumped in 02 outdoor places in the Ruwanwella Public Grounds and this stage had not been utilized for a period of 1 ½ years.
- (iv) A credit balance of Rs.1,140 and a debit balance of Rs.3,133 had remained in 02 dormant bank accounts since number of years.

### **3.5 Identified Losses**

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As not taken action according to 1988 Pradeshiya Sabha (Finance and Administration) Rule 31, a loss had been incurred by the Sabha due to 2 cheques valued at Rs.4,645 were distionoured as at 31 December 2016.

### **3.6 Solid Waste Material Management**

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The Solid Waste Management Centre in Idalpola had been commenced in the year 2014 by spending Rs.18,089,500 under the Pilisaru Project of the Central Enviornmental Authority. The Solid Waste had been dumped near by as this was only a centre for processing of disposable waste and due to spreading the diseases among the villagers from flies, the centre had been closed due to public protest arised. But the centre had not been implemented up to now. Even though, the Central Environmental Authority had presented some recommendations on this project and informed that, the support of the officers could be given, action had not been taken to implement that recommendations. As this project was not implemented, the daily garbage, collection is being irregularly disposed to the private lands. A sum of Rs.7,892,000 had been incurred for the Waste

Management Project and a sum of Rs.6,546,000 had been spent for the activities of disposal of waste during the year 2016.

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

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##### **4.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 25 April 2017 and the financial statements for the preceding year had been presented to audit on 09 May 2016.

##### **4.2 Budgetary Control**

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One hundred per cent of provisions made for 37 objects totalling Rs.27,395,000 and 80 per cent to 99 per cent of provisions made for 17 Objects totalling Rs.2,906,367 in the Annual Budget had not been utilized.

##### **4.3 Conduct of Annual Boards of Survey**

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There was a shortage of inventory goods in the office and premix project valued at Rs.8,250 and library books in 04 libraries valued at Rs.5,855.

#### **3. Systems and Controls**

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

<b>System</b>	<b>Observations</b>
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(a) Accounting	(i) Had not updated the Register of Fixed Assets. (ii) Had not updated the registers of miscellaneous deposits, trade stalls rent, staff loans and advances. (iii) Understatement of debtors and creditors in accounts. (iv) Action not taken to settle the suspense account balance.
(b) Revenue Administration	(i) Non-recovery of arrears of revenue. (ii) Non-recovery of licence fees. (iii) Had not entered into agreements for beef stalls and fish stalls. (iv) Failure to revise rates and taxes once in 05 years. (v) Not identified the places for licences and business tax through annual surveys. (vi) Failure to conduct a survey on advertisements displayed.
(c) Motor Vehicle Control	Non-furnishing of Daily Running Charts and Monthly Summaries.
(d) Finance Control	(i) Non-furnishing of financial statements on due date. (ii) Action not taken to settle suspense accounts. (iii) Obtaining over draft facilities. (iv) Failure to take action on lapsed cheques.
(e) Budgetary Control	Significant savings on provisions.