

Rambukkana Pradeshiya Sabha
Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 28 February 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 July 2018.

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 2017 and its financial performance 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) Even though, it was pointed out by the report of the preceding year that, 2 vehicles valued at Rs.75,475 had not been brought to account in the motor vehicles and cart account and the revenue contribution to capital outlay account, action had not been taken to rectify that.
- (b) Discounts received amounting to Rs.45,989 from 3 institutions in purchasing library books, had been understated by the similar amounts in the accounts of discounts received, expenditure, library books and revenue contribution to capital outlay account.
- (c) In purchasing of materials to the stores had been written off as expenditure instead of brought to account as expenditure in issuing drugs from the bulk stores and as such the expenditure had been overstated by Rs.656,243 and the closing stock and the surplus of the year had been understated by similar amount.
- (d) The value of 06 land blocks in extent of 02 acres, 02 roods and 9.45 perches belonging to the Sabha included in the Register of Fixed Assets had not been brought to account.

- (e) Rambukkana weekly fair which constructed on the provisions of the Provincial Council amounting to Rs.23,746,095 in the year 2013 and handed over to the Sabha in September 2014 had not been brought to account and as such the land and buildings and the revenue contribution to capital outlay account had been understated by similar amount.
- (f) The loans obtained from Local Loans Development Fund as at 31 December 2017, for 3 projects as per the abatement schedules of that fund had been Rs.19,835,052 but as per the financial statements it had been Rs.5,830,064, thus the payable loan balance had been understated by Rs.14,004,988.
- (g) The value of assets had been computed twice in taking into account of land and buildings and as such the value of accounts of land and buildings and revenue contribution to capital outlay account had been overstated by Rs.80,146,875.

1.3.2 Unreconciled Accounts

According to the financial statements, the balances relating to 07 items of accounts totalled to Rs. 29,518,002 whereas the balances of accounts according to the related subsidiary Registers/ Reports totalled to Rs.35,136,516 resulting in a difference amounting to Rs.5,618,514.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The value of the accounts receivable older than 01 year as at the end of the year under review totalled Rs.19,927,198.

(b) Accounts Payable

The value of the accounts payable older than 01 year as at the end of the year under review totalled Rs.6,420,009.

1.4 Non-compliances

1.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with laws, rule, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non – compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 137	293,345	The payments had been made for concreting the retaining wall and the road of the Dinanakanda Road without being approved the payment vouchers.
(ii) Financial Regulation 138	4,974,042	Payments had been made in 23 instances during the month of March 2017 without being certified the payment vouchers.
(iii) Financial Regulation 371(c)	144,000	The bills should be settled immediately after the respective purpose completed or if not the bills should be settled not later than one week. Nevertheless, the delays ranging from 08 days to 52 days were shown in settling of advances given in 11 instances during the year 2017.
(iv) Financial Regulation 396(d)	113,666	Action had not been taken on 67 cheques issued but not presented for payment and elapsed 06 months.
(v) Financial Regulation 571	3,856,990	Action had not been taken on lapsed deposits relating to the period from the year 2006 to 2015.

(vi) Financial Regulation 1645(a)

The log books should be maintained regularly and properly and should be updated. Deficiencies were observed in maintaining log books of 11 motor vehicles of the Sabha.

(vii) Financial Regulation 1646

Even though, the Daily Running Charts and the Monthly Performance Summaries should be furnished before 15 day of the month following, delays were observed in submission of Running Charts in respect of 05 motor vehicles.

(b) Public Administration Circular -
No.30/2016 dated 29 December 2016

Fuel consumption tests had not been carried out in respect of 17 motor vehicles of the Sabha.

(c) Public Administration Circular 152,696
No.30/2008 dated 31 December 2008.

Distress loans had been issued to 3 officers exceeding the distress loan balance of Rs.250,000.

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 2017 amounted to Rs.103,452,041 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 20,595,422.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

The information with regard to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	Estimated Revenue	2017		Total arrears as at 31 December	Estimated Revenue	2016		Total arrears as at 31 December
		Billed Revenue	Collected Revenue			Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	5,836,286	21,283,524	5,956,228	1,422,307	5,939,031	5,739,325	3,230,867	1,970,837
(ii) Lease Rent	9,382,345	10,007,368	9,891,842	728,303	6,939,435	8,189,093	7,928,263	672,484
(iii) Licence Fees	3,787,641	3,971,182	3,966,153	5,030	5,783,750	3,572,821	5,724,321	-
(iv) Other Revenue	6,295,500	89,661,332	89,661,332	-	5,505,500	7,935,484	7,935,484	-

2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase with regard to the revenue items such as rates and taxes, lease rent, licence fees and other revenue by 02,05, 05 and 1,324 per cent respectively.

2.2.3 Rates and Taxes

The arrears of rates and taxes as at 31 December 2017 in the authoritative area of the Sabha amounted to Rs.1,299,636. Legal action had not been taken to recover the arrears of rates and taxes amounting to Rs.934,880 existed for over one year.

2.2.4 Other Revenue

(a) Licence fees of Hotels

Even though, in recovering of licence fees from the hotels, restaurants and lodges registered in the Ceylon Tourist Board one per cent of the annual turnover of said institutions should be recovered as fees, the licence fees had not been so recovered from 03 restaurants and lodges identified.

(b) Revenue of Advertisement Hoardings

Even though, a permission should be obtained on written licence to display advertisement hoardings in the authoritative area of the Sabha, a sum of Rs.90,750 had not been recovered from 12 advertisement hoardings displayed without a such permission.

2.2.5 Court Fines and Stamp Fees

The court fines and stamp fees receivable as at 31 December 2017 from Chief Secretary of the Provincial Council and other authorities amounted to Rs.1,004,957 and Rs.29,199,182 respectively.

3. **Operating Review**

3.1 **Performance**

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility service and public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) **Abandoned Activities**

The weekly fair, Rambukkana for which incurred a cost of Rs.23,746,095 on the provisions of the Provincial Council under Small Towns Development Plan in the year 2013 and handed over to the Sabha had not been utilized even by 31 December 2017.

(b) **Solid Waste Management**

The project commenced for produce of composts from the waste collected in the authoritative area of the Pradeshiya Sabha had been maintained in a land obtained on lease basis from the Department of Forest Conservation and the Sabha had not taken action to select a permanent land for that activity. After production of the composts the remaining waste had been disposed of to the same land.

(c) **Sustainable Development Goals**

As the sabha had not aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

3.2 **Management Inefficiencies**

Action had not been taken to settle the shortage of two concrete hume pipes costing Rs.15,632 or to take a suitable action.

3.3 **Human Resources Management**

The following matters were observed.

- (a) Action had not been taken to settle the loan balance of Rs.151,300 recoverable from 07 employees who obtained loans during the period from the year 2005 to 2015 and transferred on station transfers.

- (b) As emphasized by the Circular No.CM/AD/20/03 of the Secretary of the Chief Ministry of the Sabaragamuwa Provincial Council dated 16 November 2010, the persons who got appointments as minor employees should be deployed in the same services of appointed post. Nevertheless, 14 works/ field labourers and 06 health labourers had been deployed in other services of the Sabha.

3.4 Operating Inefficiencies

The following matters were observed.

- (a) Even though, a survey on business institutions had been carried out in the year 2016 on behalf of the year 2017 it was not confirmed based on that survey that all institutions had paid taxes.
- (b) According to the register of business tax, 27 business institutions such as 08 motor vehicle repair garages, 09 concrete work places, 03 timber sawing huts, 05 paddy mills and 02 carpenter huts had not obtained business and trade licences and as such the revenue of Rs.108,000 had been deprived by the Sabha.
- (c) Seven works amounting to Rs.4,327,000 relating to the road development of Local Government in the year 2017 on the provisions of the Chief Ministry of the Sabaragamuwa Provincial Council had not been executed and that money had not been utilized for the public welfare.
- (d) The following matters were observed in respect of the leasing out of trade stalls.
- (i) Even though, the new market complex of Rambukkana had been opened on 25 September 2017, 17 trade stalls only had commenced the marketing activities even by 25 April 2018. The lease rent had not been recovered from that trade stalls and the formal agreements with the owners of the trade stalls had not been entered into.
- (ii) As the works of 18 trade stalls for which recovered 60 per cent of key money had not been completed, no agreement whatsoever had been entered even by March 2018.

3.5 Assets Management

Action had not been taken for vesting of 24 motor vehicles to the Sabha valued at Rs.57,059,225 received from Ministry of Local Government and Sabaragamuwa Provincial Council.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

Provisions totalling Rs.4,305,000 consisting of 100 per cent of provisions made for 20 Objects totalling Rs.3,080,000 and the provisions ranging from 85 per cent to 99 per cent totalling Rs.1,225,000 made for 04 Objects in the budget for the year under review had not been utilized.

4.2 **Internal Audit**

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

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System	Deficiencies
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(a) Assets Control	(i) Failure to rectify the errors pointed out by the previous year audit report. (ii) Clear narrations not presented for Journal entries. (iii) Non-reconciliation of schedules with accounts.
(b) Revenue Administration	(i) Legal action not taken for recovery of arrears of revenue. (ii) Non-maintenance of registers relating to businesses and industries.
(c) Budgetary Control	(i) Significant savings in estimated provisions. (ii) Non-recovery of estimated revenue.
(d) Assets Control	(i) Action not taken to update assessments. (ii) Land and buildings without any financial value. (iii) Decaying of Registers of Fixed Assets, pages uprooted and not updated.