

Rambukkana Pradeshiya Sabha
Kegalle District

1. Financial statements

1.1 Presentation of Financial Statements

The financial statements for 2018 were submitted to the audit on 28 February 2019 and the Auditor General's Summary Report on this Financial Statements and the Detailed Management Audit Report was sent respectively on 31 May 2019 and 21 June 2019 to the chairman.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in basis for the Qualified Opinion section 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 2018 and its Financial Performance for the year then ended in accordance generally accepted accounting principles.

1.3 The Basis for the Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendations	Comments of the Accounting Officer
(i) The received discount amount of Rs.40,918 in connection to the purchasing of books which had not been account for.	Discounts received should be accounted.	In preparing the financial statements for the year 2019, will take steps to rectify these errors and to ensure that there are no such mistakes.
(ii) The capital grant amount of Rs.15,255,295 received from various sources of funds for 44 constructions for the development of the council area had not been accounted for the year under review.	capital grant should be accounted.	The capital grants for respective industries from another institutions and were not included in the accounts.
(iii) The children's park constructed by the amount of Rs 1,940,000 at the Rambukkana fair premises had not been capitalized under the decentralized budget program for the year	Assets owned by the council must be accounted for	The reply had not been submitted

- under review.
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|------|---|--|--|
| (iv) | Interest earned of Rs. 827,043 for the fixed deposits belonging to the Sabha had been under stated in accounts for the year under review. | Revenue receivable must be properly accounted for. | Interest is not calculated on the basis of the maturity date of each fixed deposit. Steps will be taken to correct this change in the preparation of financial statements for the year ended 31/12/2019. |
| (v) | Loans received for three projects from the Domestic Credit Development Fund have been accounted reducingly by Rs. 14,293,029 at the end of the year under review. | Expenditure payable shall be stated in financial statements. | The loan obtained for the three projects from the Local Credit Development Fund was further checked and corrected due to an accounting error in the loan granted. |

(b) Unreconciled Accounts

Audit Observation -----	Recommendations -----	Comments of the Accounting Officer -----
As per the financial statements, there was a difference among 06 accounting subjects and related subsidiary registers/ documents/reports which was of Rs.8,663,767.	Action must be taken to correct financial statements.	Action will be taken to further check the documents / reports relevant to the remarks of the Chief Accounting Officer and correct the difference.

(c) Accounts Receivable and Payable

Audit Observation -----	Recommendations -----	Comments of the Accounting Officer -----
(i) The amount of accounts receivable balances exceeding the year under review was Rs.266,200.	Action should be taken to recover	Due to a defect in accounting, a de facto interim termination has not been approved by the Sabha. The dissolution of the development Sabha and distributing assets to the Local Authorities, when distributing assets should receive Rs. 200,000 from Kegalle Pradeshiya Sabha to Rambukkana Pradeshiya Sabha

(ii) Credit balance exceeding the one year period was Rs.2,222,890 for the year under review.	Action to be taken to settle.	that has been sent memorandum to the Kegalle Pradeshiya Sabha but no reply has been given.
		Audit fees already paid. Remaining balance come from in the year 2017 and action will be taken to settled or transferred to the income.

1.4 Non-compliance

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

Refer to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Commenting by the Accounting Officer

(a) Pradeshiya Sabha Act No 15 of 1987 (i) Section 149	Licenses for hotels, restaurants and lodges registered with the Sri Lanka Tourist Board should not exceed one per cent of their annual turnover Such charges were not levied at the three identified restaurants and lodges.	The provisions of the Act shall be complied with.	One hotel does not belong to the council and two hotels are closed. Payments have been done by one hotel and will get action to charge money from other hotels and lodges
ii) Section 158 (1) (b)	Legal action had not been taken to recover the unpaid assessment tax amount of Rs. 494,451 for more than one	The provisions of the Act shall be complied with.	A sum of Rs.188,069 has been recovered through the Prohibition of Property from the assessed tax arrears of Rs.682,520 There

year period.

will also be property that the owners cannot find, and the rest of the money will be recovered this year, I will take legal action against irrevocable money.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulations 371 (2) (c).

Although the advances have to be paid immediately after the completion of the work, the total of eight advance payments amounting to Rs 53,720 comes from year 2004 had not been settled at end of the year under review.

Comply with the Financial Regulations

Approval has been sought to be set off imprest in accordance with a Sabha decision that has not yet been settled.

(ii) Financial Regulations 396 (d).

There were 79 cheques issued at Rs. 163,922 which were issued over six months but were not paid and out of these, 63 cheques of Rs.98,650 had been exceeded over two years.

Comply with the Financial Regulations

Action will be taken to inform the relevant persons and Institutions in writing of these cheques in future.

(iii). Financial Regulations 571(2)	The action had not been done regarding the deposit amount of Rs.2,183,602 for the period from 2006 to 2015.	Should be work in accordance to the Financial Regulations.	Necessary step have been taken to collect overdue deposited work is being charged to the revenue of Rs.1,858,521.
(c) Public Administration Circular Paragraph 3.1 of the Circular No. 30/2016 dated 29 December 2016.	A fuel consumption test has not been carried out on 14 vehicles owned by the council.	Should be act accordance to the provisions of the circular.	Fuel inspections of two vehicles will be carried out expeditiously and one vehicle must be repaired. Fuel testing is difficult as the other vehicles do not run daily on vacant of drivers.

2 Financial Review

2.1 Financial Outcome

According to the financial statements presented, the income beyond the recurrent expenditure of the Sabha for the year ended 31December 2018 was Rs. 28,461,090 and correspondingly, the revenue over recurrent expenditure of the previous year was Rs. 103,452,041.

2. Revenue Administration

2.2.1. Estimated Revenue, Billed Revenue, Accumulated Revenue and Deficit Revenue

Details of Estimated Revenue, Billed Revenue, Gross Revenue and Arrears of Revenue for the year under review and the previous year are given below.

Source of Revenue	Estimated Revenue	Billed Revenue	Revenue Collected	The deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	The deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rate & Taxes	6,186,286	5,697,341	5,397,065	1,077,221	5,953,131	6,673,524	5,956,228	1,422,307
Rent	11,912,9745	11,800,805	11,322,271	1,011,890	9,382,345	10,007,367	9,891,842	728,303

License fee								
	4,423,360	4,580,776	4,497,986	82,789	3,787,641	3,971,182	3,966,152	5,030
Other Income	25,614,500	69,093,287	18,272,664	52,413,213	6,295,500	89,661,332	89,661,332	-

2.2.2 Acres Lease

Audit Observation	Recommendation	Comments of the Accounting Officer
The Acreage Tax Balance was Rs. 98,697 at the end of the year under review,.	Action should be taken to recover the arrears.	The amount of 10,773 during the first quarter of 2019, out of the balance as at 31 December 2018 and the amount required to be deducted is Rs.72,116. Steps have been taken to recover the remaining balance during the year and also to submit the deficit reports to the Revenue Inspectors.

2.2.3 Rentals

Audit Observation	Recommendation	Comments of the Accounting Officer
Receivable shop rental end of the year under review Rs. 866,698 and out of this amount Rs. 533,356 is more than one year.	Action should be taken to recover the shop rental.	Out of arrears shop rental income Rs. 145,192 was recovered first quarter of 2019. And also requisitions have been received not to charge the rental due to shortcomings in the rooms of the Shopping Complex. by the relevant businessmen for Rs. 273,496. Recovery action will be taken to collect remaining balance. Steps will be taken legal action for Rs. 557,777 from outstanding weekly fair fees, Rs.27,196 receivable from 2018, Rs.77,760 from bus halt fees.

2.2.4 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
The total amount of Rs.79,500 from the 118 temporary advertisements boards in the Sabha area without getting the permission and from the	The Sabha must work to raise the revenue it deserves.	The relevant companies had been notified and accordingly one company had made the payment. Steps were being taken to collect the remaining fixed billboards and to remove all unauthorized billboards.

Rs. 45,680 by three fixed bulletin boards had not been charged.

2.2.5 Court Fines and Stamp Duty

Audit observation	Recommendation	Comments of the Accounting Officer
The court fine income Rs. 3,614,937 and stamp duty Rs. 48,797,956 income that s Should have been received by the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018	Action should be taken to recover income.	Court fines for 2018 Only sum of Rs.1,834,332 have been received by Court fines for 2018

3. Operational Review

3.1 Performance

Following are the observations on the functions of the Sabhal to regulate and administer public health, public utility services, public roads, the welfare of the people, convenience and welfare of the people. under section 3 of the pradeshiya sabha act.

(a) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Nine proposed development projects, including the construction of a rest room for the workers at the compost site, were planned for the year under review.	Action plan must be adhered to.	Although these projects were not completed due to the expiration of the allocation for 2018, these projects are expected to be implemented within the next two years according to the four year plan.

(b). Solid Waste Management

Audit observation	Recommendation	Comments of the Accounting Officer
(i) Formal actions have not be taken to disposal of garbage that collected from	Waste management must be managed to minimize environmental damage	Action had been taken to prepare a burner for this purpose and submit a project report to the District Secretary. However, action will be

the area.

(ii) Environmental certificate has not been taken to disposal of garbage.

Legal provision should be covered to disposal of garbage.

taken to reconsider the approval.

Action will be taken to get the environmental certificate.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although the Sabha is aware of the 2030 Agenda for Sustainable Development Goals, the long term plans for improving the quality of life and health of the people of the area are not yet worked out by February 2019 through the Global Indicators</p>	<p>Long-term plans must be worked out to achieve the Sustainable Development Goals</p>	<p>Steps will be taken to prepare the Sustainable Development Goals Plan expeditiously</p>

3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Action had not been taken to recover the outstanding debts of Rs. 155,000 from seven employees who had transferred between 2005 and 2014.</p>	<p>Action should be taken to recover the arrears.</p>	<p>Notification was made in writing about the transferring institutions, but no reply was received. Action will be taken again.</p>

3.3 Operating inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) (i) Although the software was introduced in 2014 at a cost of Rs.196,000 because the program was unable to accurately account for up-front payments and</p>	<p>In order to properly account for revenue, a proper and proper methodology should be developed</p>	<p>There are problems with proper accounting of advance payments and discounts in advance, and I will inform the institution in writing</p>

discounts, it had to spend extra time and effort to do it manually.

about the future arrangements.

(ii) In the year under review the Sabha failed to comply with the new rate & tax assessment carried out in 2017.

Action should be taken to implement the new assessment

Necessary steps are being taken to obtain the new assessment from the Department of Valuation and it is expected to be implemented by 2020

(b) Rentals

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(i) The Rambukkana new first market complex was opened on September 25, 2017, but the Sabha was unable to get proper benefits due to the construction of eight storeyed floors in the ground floor by February 2019.</p> <p>(ii) On first floor of the new second store complex, unlocked and unfinished 17 stalls at Rs. 14,159,257 had been charged although failure to complete until February 2019 could not recover the remaining cash and rent.</p>	<p>The construction should be completed efficiently and the rent will be charged.</p> <p>Action should be taken to complete the construction work and recover the arrears.</p>	<p>The new shop complex in Rambukkana was opened on 25 September 2017, but the unfinished ground floor stalls have been given to the owners of old shops. Accordingly, work had been completed and arrangements has been made to recover the money.</p> <p>According to the contract agreement the works had to be completed within 6 months but it is already over six months the letter of 07.03.2017 had been requested to be completed expeditiously. Accordingly, the work is in the final stages.</p>

3.4 Asset Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The ownership of the 24 given vehicles of value amounting to Rs.57,059,225 from Sabaragamuwa Provincial Council and the Ministry of Local Government had not been get the action to take over to the Sabha.</p>	<p>Action should be taken to transfer assets</p>	<p>Necessary steps will be taken to acquire these 24 vehicles.</p>

4. Accountability and good governance

4.1 Budgetary control

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The budget consisted of a total of 20 items that were provided by the budget. 3,080,000 in grants between 85 and 99 percent of the total allocation of Rs.1,225,000 had not been utilized for the year under review</p>	<p>-----</p> <p>The budget should be used as an effective financial controller.</p>	<p>-----</p> <p>Action will be taken to use the Budget as an effective financial control tool.</p>

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Despite adequate internal audit of the affairs of the Sabha, no action has been taken to rectify the shortcomings of the reports.</p>	<p>-----</p> <p>Action should be taken to streamline the affairs of the Sabha by implementing the Internal Audit recommendations</p>	<p>-----</p> <p>Take necessary action to rectify the shortcomings shown by the Internal Audit reports.</p>

4.3 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>No audit and management meetings were held during the year under review.</p>	<p>Internal control needs to be strengthened by holding audit and management meetings.</p>	<p>Audit and Management Committees have been held for the last quarter of 2018 on 12.02.2019.</p>

4.4 Unresolved Adit Observations and Unanswered Audit Queries

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The following deficiencies indicated by the report in the previous year had not been rectified in the year under review.		
(i) The vehicle value had been accounted excess in Rs. 37,925.	Corrective action should be taken	This change will be corrected in the preparation of Financial Statement 2019.
ii) Accounting of 6 plots of land of 2 acres of 9.45 perches land belonging to the Sabha which is not included in the fixed asset register.	The relevant lands should be identified and assessed and accounted for	This will be corrected in the preparation of the financial statements for the year end 2019 and the value of a land will be included in the fixed asset register and the same will be accounted for in preparing the financial statements for the year 2019.
(ii) Double the valuation of assets worth Rs. 80,146,875 when accounting for lands and buildings.	Should be corrected.	Correct the mistake and will be corrected in preparing the 2019 financial statements.
(b) The amount of balance Rs 76,704 under the current liability of the Urban Development Authority had not been taken the necessary action to settle since year 2016.	Must be identified and settled.	Action will be taken to correct the 2019 financial statements.