

**Ratnapura Pradeshiya Sabha**  
**Ratnapura District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented to audit on 28 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 29 June 2020.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Ratnapura Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The adjustments had not been made for less billing of stamp fees of Rs.9,155,365 relating to the previous years.	The revenue relating to the year and the adjustments for previous years should recognize correctly and prepare financial statements.	Noted down to correct in the subsequent year.
(b) The adjustments had not been made for less billing of court fines of Rs.5,237,840 relating to the previous years.	The revenue relating to the year and the adjustments for previous years should recognize correctly and prepare financial statements.	Noted down to correct in the subsequent year.
(c) Provisions for creditors of Rs.1,035,167 had been made in respect of a work for which paid bills.	The expenditure relating to the year should recognize correctly and to take in to account.	Noted down to correct in the subsequent year.
(d) Provisions for creditors relating to the year under review had been understated by Rs.637,450.	The revenue and expenditure relating to the year should be correct and brought to account.	Audit observations were accepted.
(e) Accrued expenses of Rs.677,344 relating to the year under review had not been brought to account.	The expenditure relating to the year should be identified correctly and brought to account.	Noted down to correct in the subsequent year.

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| (f) | A payable amount for a construction work and the receivable amount thereon from the Provincial Council amount to Rs.174,600 had not been brought to account.                             | The revenue and expenditure relating to the year should be identified correctly and brought to account.                        | Noted down to correct in the subsequent year.                                     |
| (g) | A difference of Rs.12,594,657 was shown between the balances as per the financial statements relating to 06 items of accounts and the balances as per subsidiary registers was observed. | Financial statements and the subsidiary registers should be reconciled and identified the differences and should be corrected. | The difference had remained for a longer period and it will be correct in future. |
| (h) | Detailed schedules relating to eight items of accounts totalling Rs.484,308 remained brought forward prior to the year 2008 were not made available for audit.                           | The evidence to confirm the account balances shown in the financial statements should be furnished.                            | The above balances will be examined and further actions will be taken.            |

#### 1.4 Non-compliances

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

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Non-compliance</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Action had not been taken on 37 lapsed deposits totalled Rs.3,185,328 relating to the period from the year 2012 to 2016.	Action should be taken in terms of Financial Regulations.	Action will be taken to take in to revenue at the end of the year 2020.
(b) Public Administration Circular No.02/2018 dated 24 January 2018.	The performance agreements which should be signed annually for the staff had not been signed even by the end of the year under review.	Action should be taken in terms of the Circular Provisions.	Action will be taken in future in terms of the Circular.

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| (c) National Budget Circular No.02/2017 dated 25 July 2017.                       | Output indicators and main performance indicators relating to the output of the institutional role had not been identified.           | The respective indicators should be identified in terms of the provisions of circulars.                                 | Subject officers will be informed and action will be taken to avoid short comings.   |
| (d) Local Government Circular No.2018/e – Local Government 01 dated 19 July 2018. | The Sabha had failed to establish required facilities to provide opportunities for applying services through internet for the client. | Action should be taken in terms of Provisions of the Circular and should be provided required facilities to the client. | Technological facilities were obtained at the moment and action will be taken to provide required training for officers and the relevant facilities will be established in future. |

## 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 2019 amounted to Rs.24,058,791 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.9,913,203.

### 2.2 Revenue Administration

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

The information relating to the 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	<u>2019</u>				<u>2018</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
-----	-----	-----	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Tax Revenue	1,822,010	2,034,660	2,047,205	57,844	1,191,240	1,329,515	1,316,043	69,496
(ii) Lease Rent	5,060,000	102,540	102,540	-	481,400	46,800	46,800	-
(iii) Licence Fees	790,200	1,372,023	1,372,023	-	706,650	634,600	634,600	-
(iv) Other Revenue	<u>25,281,000</u>	<u>40,017,388</u>	<u>53,338,157</u>	<u>5,066,648</u>	<u>19,598,000</u>	<u>21,630,338</u>	<u>37,833,060</u>	<u>18,391,992</u>
	<u>32,953,210</u>	<u>43,526,611</u>	<u>56,859,925</u>	<u>5,124,492</u>	<u>21,977,290</u>	<u>23,641,253</u>	<u>39,830,503</u>	<u>18,461,488</u>

## 2.2.2 Rates and Taxes

### **Audit Observation**

Even though, 06 developed village areas had been identified to recover rates and taxes within the authoritative area of the Sabha on 30 June 2014, the publishing of the map of the developed village areas had been delayed up to October 2019 and as such the rates could not be recovered by the Sabha.

### **Recommendation**

Prompt action should be carried out to collect revenue recoverable to the Sabha.

### **Comments of the Accounting Officer**

The assessments in respect of recovery of rates in the authoritative area of the Sabha had been commenced.

## 2.2.3 Licence Fees

### **Environmental Licences**

#### **Audit Observation**

Action had not been taken in respect of non-obtaining of environmental Licences by 07 institutions that should be obtained environmental Licences and non-renewing of environmental licences by 06 institutions that should be renewed the environmental licences for the year 2019. As such a revenue of Rs.52,000 had been deprived by the Sabha.

#### **Recommendation**

Required actions should be taken to issue licences properly to all institutions which should be obtained environmental licences.

#### **Comments of the Accounting Officer**

The subject officer had been informed to take legal actions on this matter in future.

## 2.2.4 Advertisements Hoardings Revenue

### **Audit Observation**

Twelve advertisement hoardings displayed in the authoritative area of the Sabha during the year under review had been removed due to non-payment of charges but the Sabha had not recovered a sum of Rs.87,000 receivable relating to that.

### **Recommendation**

Action should be taken to recover revenue receivable to the Sabha during the due period.

### **Comments of the Accounting Officer**

Action had been taken to remove the advertisement hoardings for which had not been paid charges.

### 2.2.5 Other Revenue

#### **Audit Observation**

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Business tax amounting to Rs.87,000 receivable for the year under review from 19 telecommunication towers and 16 small hydro power stations situated in the authoritative area of the Sabha had not been recovered.

#### **Recommendation**

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Action should be taken to collect revenue receivable to the Sabha.

#### **Comments of the Accounting Officer**

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The relevant revenue is being recovered at present.

### 2.2.6 Court Fines and Stamp Fees

#### **Audit Observation**

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Court fines and stamp fees identified as to be receivable as at 31 December 2019 from Chief Secretary of the Provincial Council and other authorities amounted to Rs.1,030,250 and Rs.6,361,804 respectively.

#### **Recommendation**

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Action should be taken to recover revenue receivable to the Sabha.

#### **Comments of the Accounting Officer**

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The court fines revenue was received and the respective institutions had been informed by the letters to obtain stamp fees schedules.

## 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 of public health, public utility services and thoroughfares and the comfort, facilities and wellbeing of the people under section 3 of the Pradeshiya Sabha Act are given below.

#### (a) Action Plan

##### **Audit Observation**

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According to the Action Plan 2019, it was planned to hold 05 training programmes including development of personality and leadership training by targeting young community and 05 community development programmes targeting nursery schools and pregnant mothers in the authoritative area. Nevertheless no programme whatsoever had been executed during the year under review.

##### **Recommendation**

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Action should be taken according to the annual Action Plan.

##### **Comments of the Accounting Officer**

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The respective works could not be executed as planned due to the Easter attack in the country in the year 2019.

**(b) Solid Waste Management  
Audit Observation**

**Recommendation**

**Comments of the  
Accounting Officer**

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- (i) Eventhough, about 100 tons of bio-degradable waste and 15 tons of Solid Waste were generated monthly in the authoritative area of the Sabha, a Waste Management Plan in accordance with the national policies on Waste Management had not been prepared.
- (ii) According to the Action Plan of the years 2018 and 2019, it was planned to conduct 13 awareness programmes for school children in respect of Solid Waste Management and commence a composts project. Nevertheless, no activity whatsoever had been executed even by the end of the year under review.

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A Waste Management Plan in accordance with National Policies should be prepared and executed.

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The Solid Waste Management Plan had been prepared.

Action should be taken according to the annual Action Plan

The programmes of the action plan could not be executed due to the confused situation happened with the Easter attack.

**(c) Sustainable Development Goals  
Audit Observation**

**Recommendation**

**Comments of the Accounting  
Officer**

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Even though, the Sabha had 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 December 2019.

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Sustainable Development plans should be prepared and executed.

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The several programmes based on long term objectives to execute sustainable development goals has been planned.

### 3.2 Management Inefficiencies

#### Audit Observation

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Eight training programmes out of 12 training programmes which should be executed as per Annual Training Plan 2019 had not been executed during the year under review.

#### Recommendation

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The training opportunities which has to be given to the officers should be given properly.

#### Comments of the Accounting Officer

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The training programmes to be executed as per the annual plan had delayed due to unrest situation prevailed in the country.

### 3.3 Management Inefficiencies

#### Audit Observation

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The Sabha had not followed a proper methodology to identify unauthorized constructions in the authoritative area of the Sabha and to remove those constructions or to regularize them.

#### Recommendation

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A proper methodology should be prepared and executed to identify the unauthorized constructions.

#### Comments of the Accounting Officer

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Problematic situations had not arisen up to now in respect of unauthorized constructions in the authoritative area of the Sabha and the solutions for complaints made by the Public had been given on the recommendations of the Technical Officer.

### 3.4 Assets Management

#### 3.4.1 Idle Assets

##### Audit Observation

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One thousand waste containers valued at Rs.280,870 purchased on 10 October 2019 with an objective to distribute for the houses for waste collection had been kept in the Sabha premises without being distributed even by 15 June 2020.

##### Recommendation

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Prompt action should be taken to utilize the waste containers for the activities intended.

##### Comments of the Accounting Officer

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The waste containers could not be distributed as planned, due to covid epidemic and that actions has been expedited at present.

### 3.4.2 Failure to Perform Maintenance and Repairs

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Action had not been taken in respect of 05 vehicles discarded from running from the year 2017.	----- Action should be taken either to repair or to dispose.	----- Action will be taken to complete the registration certificates and to execute vesting activities.

### 3.5 Irregular Transactions

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Providing aid for housing and lavatories valued at Rs.2,724,115 included in the programme of distribution of material aid and equipment which executed concerning the completion of one year in the establishment of new Sabha had not been carried out. A sticker had been stuck on 45 steel cupboards to show that it was a donation of the Chairman which purchased by incurring Rs.796,432 from the Sabha Funds, without being called quotations. A sum of Rs.3,670 had also been incurred for that sticker from the Sabha Funds. Furthermore, sports equipment as well had been distributed to the sports clubs by incurring Rs.73,080 contrary to the approval of the Governor.	----- Adequate provisions should be made to execute the programmes and every purchase should be made in accordance with Procurement Guidelines. It is not appropriate to highlight the donations made from the Sabha funds as private donations.	----- The respective activities had been carried out on the approval of the Hon. Governor for the ceremony of commemoration of one year pride of the Ratnapura Pradeshiya Sabha and stickers had been stuck on the cupboards on the directive of the Chairman.

### 3.6 Identified Losses

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- In terms of Financial Regulation 103 and 104 the investigations had not been carried out in respect of the cab vehicle met with an accident in the year 2014 when utilized by the chairman for duty. Further, the insurance claim had been rejected due to non-submission of the Insurance claim within the due period in respect of the accident, while a sum of Rs.261,850 had been paid by the Sabha Fund to repair of the cab vehicle.	----- Action should be taken in terms of Financial Regulations and should recover losses.	----- Action will be taken to investigate why then subject officer had not taken action in respect of this accident caused in the year 2014 and to recover the losses incurred, from the responsible party.



### 3.7 Procurements

#### 3.7.1 Procurement Plan

##### Audit Observation

Even though, a procurement plan had not been prepared for the year under review the procurements valued at Rs.10,640,268 had been made.

##### Recommendation

Annual procurement plan should be prepared.

##### Comments of the Accounting Officer

All essential purchases had been made on the approval of the pricing committee and the Sabha decisions to executive the public requirements immediately and a procurement plan had been prepared for the year 2020.

#### 3.7.2 Supplies and Services

##### Audit Observation

Without being called quotations, furniture and equipment had been purchased by incurring Rs.128,655 contrary to the Guideline 3(4)(3)(c) of the Procurement Guidelines.

##### Recommendation

In obtaining works, goods and services action should be taken as per Procurement Guidelines.

##### Comments of the Accounting Officer

This purchase had been made immediately on the direction of the Chairman. As the committee had paid attention relating to the goods in good quality with durability and had proposed a suitable private institution thereon, the purchase had been made from that institution.

#### 3.7.3 Contract Administration

##### Audit Observation

A total of Rs.162,723 had been overpaid in respect of 14 works executed during the year under review.

##### Recommendation

The over payment should be recovered.

##### Comments of the Accounting Officer

Action will be taken to recover the over payments.