

Ruwanwella Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 16 July 2015 while Financial Statements relating to the preceding year had been submitted on 25 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 06 August 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Ruwanwella Pradeshiya Sabha at 31 December 2014, its financial performance for the year then ended and cash flows in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Write-off of Stalls Rent amounting to Rs.11,000 relevant to the year 2007 had been debited to the Expenditure Heads of the year under review. Due to that, surplus for the year under review had been understated in a sum of Rs.11,000.
- (b) Rates Revenue amounting to Rs.67,095 received in respect of the ensuing year had been set-off against Rates Revenue Receivable. Due to that, Revenue Received in Advance and Revenue in Arrears as at 31 December 2014 had been understated at the rate of Rs.67,095 in the financial statements.
- (c) Value of 09 vehicles amounting to Rs. 13,653,200 received as donations from the Sabaragamuwa Provincial Council and the Ministry of Local Government as at the end of the year under review had not been capitalized. Due to that, the balances of Fixed Assets and Contribution from Revenue to Capital Outlay

Account had been understated as at 31 December 2014 at the rate of Rs. 13,653,200 in the financial statements.

- (d) Although a sum of Rs 27,005,095 had been shown as the value of Lands and Building for the year under review, schedules relevant to those had not submitted together with the accounts. While the correct value of 13 blocks of land in extent of 08 acres 10 perches according to the Fixed Assets Register had not been assessed and accounted, any value relating to another 50 blocks of lands had not been disclosed through the accounts.
- (e) A sum of Rs.507,600 recovered during the period from the year 2008 to the year 2013 in 05 instances for Transmissions Towers from three Communication Companies and a sum of Rs.350,000 recovered in two instances for blocking out lands, had been withheld in the Deposits Account. Due to that, Accumulated Fund had been understated in a sum of Rs.857,600 while the Deposits Account had been overstated to that extent in the financial statements.as at 2014 December31
- (f) Staff Security Deposits amounting to Rs. 18,500 recovered from 06 employees since the year 2006 had been accounted as General Deposits. Due to that, General Deposits had been overstated in a sum of Rs. 18,500 while the value of Staff Security Deposits and Staff Security Deposit Investments had been overstated to that extent in the financial statements.as at 31 December 2014

1.3.2 Non- reconciled Control Accounts

While the total of balances as at the end of the year under review relevant to 06 items of accounts according to financial statements was. Rs. 29,290,928, according to the subsidiary register and records total of those accounts had been Rs. 47,345,354 indicating a difference of Rs. 18,054,426.

1.3.3 Suspense Accounts

Action had not been taken to settle the balance of Rs. 18,981 in the Suspense Account as at 31 December 2014.

1.3.4 Receivable and Payable Accounts

- (a) While the value of the Accounts Receivable balances as at 31 December 2014 was Rs. 27,810,709, the total of balances that had elapsed more than a year amounted to Rs. 5,834,315.
- (b) While the value of the Accounts Payable balances as at 31 December 2014 was Rs. 9,955,234, the total of balances that had elapsed more than a year amounted to Rs. 4,628,076.

1.3.5 Non-compliance with Laws, Rules and Regulations

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a.) Financial Regulations of Democratic Socialist Republic of Sri Lanka F.R. 371 (2) (c) F.R. 571	- Although the monies obtained as Ad-hoc advances should be settled immediately after completion of the relevant work, advances obtained amounting to Rs.625,653 had not been settled. - Unclaimed Deposits amounting to Rs.195,289 during two years had not been cleared.
(b.) Establishments Code of the Republic Sri Lanka Clauses 1.6 and 4 in Chapter XXIV	- Action had not been taken to recover Staff Loans amounting to Rs. 441,744 to be recovered from 08 officers since the year 2002.

- Although 10 years had elapsed after interdiction of a Revenue Overseer who was charged for bribery on the grounds of private use of tax collected amounting to Rs. 485,599 without handing over to the Sabha, formal disciplinary action had not been taken in that connection.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.2,567,191 as against the excess of recurrent expenditure over revenue amounted to Rs. 1,247,946 in the preceding year indicating an improvement of Rs. 3,815,137 in the financial results.

2.2 Revenue Administration

2.2.1 Performance of Collection of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Source of Revenue	Arrears as at 01.01.2014	Recoveries out of Arrears as at 31.12.2014	Billings during the year	Recoveries out of billings for the year	Recoveries out of arrears as at 01.01.2014	Out of billings for the year	Total Arrears
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	2,137,269	423,282	3,029,086	1,991,542	1,713,987	1,037,544	2,751,531
(ii) Lease Rent	2,045,891	768,224	6,921,138	5,549,830	1,227,667	741,308	2,018,975
(iii) Licence Fees	80,398	-	163,500	163,500	80,398	-	80,398
(iv) Other Revenue	14,730,112	11,967,849	42,165,513	21,967,971	2,762,263	20,197,542	22,959,805

2.2.2 License Fees

Following matters are observed.

- (a) Although Environmental Permits should be obtained for carrying out industries in terms of National Environmental Act No. 47 of 1980 and amendments made to that, a loss of Rs.88,000 had occurred to the Sabha due to failure in obtaining Environmental Permits for 21 industries.
- (b) Revenue amounting to Rs.36,000 had been lost to the Sabha due to non-recovery of annual license fees for the transmission towers erected in the area of authority of the Sabha.
- (c) Revenue amounting to Rs.19,000 had been lost to the Pradeshiya Sabha Fund during the year 2014 alone, due to non-recovery of Trade Licenses / Business Taxes for 19 saw mills and carpentry sheds. which had continuously been received from 2012 to 2015

3. Operating Review

3.1 Operating Inefficiencies

- (a) Proper course of action had not been taken with regard to complains received in connection with un-authorized constructions in the area of authority of the Sabha in 04 instances.
- (b) Although contributions need not be paid to the Employees Trust Fund for 06 employees who hold membership of the Public Servants Provident Fund, contributions amounting to Rs. 34,509 had been paid during the year 2014 alone.

3.2 Improper Transactions

- (a) A sum of Rs. 93,500 had been paid for the vehicle used by the Chairman on hiring basis during the period from 19 September 2013 to 22 October 2013. Expenditure not approved had been Rs. 20,161 as the amount approved by the Chief Minister was Rs. 73,334.

- (b) Electricity Bills amounting to Rs. 48,227 for the year 2013 of the Warawala New Bridge maintained by the Roads Development Authority had been paid out of the Sabha Fund.

3.3 Contract Administration

Although agreements had been signed during December 2014 for 06 Sabha Works for an agreed sum of Rs.842,707, works had not been commenced even as at 10 July 2015, date of audit.

4. Accountability and Good Governance

4.1 Audit Queries not replied

While replies had not been furnished to 07 audit queries as at 23 July 2015, value of transactions subject to those queries amounted to Rs. 3,548,989.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management