

Ruwanwella 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 24 April 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 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 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 Auditor General that the acreage tax in the preceding year amounting to Rs.21,625 had been overstated, that had not been rectified.
- (b) Out of the value of work done of 205 works amounting to Rs.74,926,656, a sum of Rs.56,387,812 had not been brought to account as the revenue of the year and the debtors. Further the capital expenditure of the year and the creditors had been understated by Rs.56,697,732.
- (c) A sum of Rs.40,701,447 received during the year under review relating to the works completed in the preceding years had been brought to account as the revenue of the year and as such the revenue had been overstated by similar amount.
- (d) A sum of Rs.29,558,412 paid for the works completed in the preceding years had been brought to account as the expenditure for the year under review and as such the expenditure for the year had been overstated by similar amount.

- (e) Even though, the recoverable acreage tax amounted to Rs.209,053, it was brought to account as Rs.77,026 and as such the acreage tax recoverable had been understated by Rs.132,027.
- (f) Receivable licence fees amounting to Rs.46,510 and receivable business tax amounting to Rs.47,400 had not been brought to account.
- (g) A sum of Rs.624,613 received relating to the period from the year 2015 to July 2017 as the fees of the building applications and playground rent had not been brought to account as revenue and retained in the general deposit account.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) The balances of 11 items of accounts as at end of the year under review totalled Rs.132,325,909 as per financial statements, while, the balances of the accounts totalled to Rs.114,307,707 as per subsidiary registers/ reports resulting in a difference of Rs.18,018,202.
- (b) Even though, the value of the fixed assets as at 31 December 2017 amounted to Rs.276,212,099, the balance of the revenue contribution to capital outlay account amounted to Rs.275,337,038 thus shown a difference of Rs.875,061.

1.3.3 Suspense Account

The credit balance of the suspense account totalling Rs.18,981 as at 31 December 2016 had increased up to Rs.3,147,302 as at 31 December 2017 but action had not been taken to settle it.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

The value of the accounts receivable older than one year as at 31 December 2017 totalled Rs.27,991,629.

(b) Accounts Payable

The value of the accounts payable older than one year as at 31 December 2017 amounted to Rs.685,489.

1.3.5 Lack of necessary Documentary Evidence for Audit

The detailed schedules to confirm of 02 items of accounts valued at Rs.1,484,025 had not been furnished to audit.

1.4 Non-compliances

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

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

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
(i) Financial Regulation 371(2)	13,829	The advances granted in 10 instances had been settled with a delay ranging from 14 days to 77 days.
(ii) Financial Regulation 371(5)	625,651	The advances issued in the year 2016 had not been settled.
(iii) Financial Regulation 396 (d)	21,354	Action had not been taken on 04 cheques issued but not presented for payment and elapsed 06 months.
(iv) Financial Regulation 571	4,888,380	Action had not been taken on miscellaneous deposits amounting to Rs.4,458,377 and tender deposits amounting to Rs.430,003 relating to the period from the year 2005 to 2014 and had not been refunded.
(v) Financial Regulation 1646		- Even though the Daily Running Charts and Monthly Performance Summaries should be furnished to the Auditor General before the 15 th day of the month following, the Running Charts for 20 motor vehicles of the Sabha had not been furnished to audit for a number of years.

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 2016 amounted to Rs.7,853,382 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.24,849,459.

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	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
(i). Rates and Taxes	Rs.000' 3,288	Rs.000' 3,288	Rs.000' 3,543	Rs.000' 1,516	Rs.000' 3,488	Rs.000' 3,488	Rs.000' 4,351	Rs.000' 2,185
(ii). Lease Rent	9,362	7,338	6,879	3,002	6,211	6,211	7,042	1,670
(iii). Licence Fees	370	250	393	77	320	320	427	94
(iv). Other Revenue	3,455	8,499	8,499	-	3,371	3,371	4,969	-

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, licence fees and other revenue by 8.6 per cent and 146 per cent respectively and the lease rent revenue had decreased by 27 per cent as compared with the estimated revenue.

2.2.3 Rates and Taxes

Whenever defaulting of payments of rates and taxes and acreage tax of the properties of relevant places should have been restrained and the monies should be recovered in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987. Nevertheless, the action had not been taken so on in respect of the arrears of rates and taxes and arrears of acreage tax older than 01 year amounting to Rs.841,933 and Rs.192,531 respectively.

2.2.4 Lease Rent

The arrears of lease rent from meat stalls and fish stalls of the public market amounting to Rs.833,264 had existed as at the end of the year under review.

2.2.5 Licence Fees

Action had not been taken to institute legal action in terms of Section 150(4) of the Pradeshiya Sabha Act No.15 of 1987 and to recover licence fees amounting to Rs.77,398 and business tax amounting to Rs.60,292 which could not be recovered since long period.

2.2.6 Other Revenue

(a) Charges for the lands not Developed

Even though, a Gazette Notification had been published to recover a tax of 0.5 per cent of capital value of the lands not developed in the authoritative area of the Sabha, a survey had not been carried out on such lands during the year under review and the taxes had not been recovered.

(b) Advertisements Hoardings Charges

The posters, cutouts and banners displayed in the authoritative area of the Sabha had not been identified and documented. A revenue of Rs.81,950 had to be recovered as per the letters sent informing to pay for advertisement hoardings.

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, utility services and public roads and comfort facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act.

(a) Failure to Achieve Expected Output Level

A sum of Rs.1,440,212 made available from various institutions to execute relevant activities had been retained in the General Deposit Account without being utilized for respective purposes.

(b) Solid Waste Management

A sum of Rs.18,089,500 had been incurred and a Solid Waste Management Centre at Idalpola had been commenced under Pilisaru Project of the Central Environmental Authority. Solid waste had been disposed to a private land, as a place not available for the Sabha to dispose waste. Even though, a gully bowser made available in the Sabha, a suitable place to dispose gully waste was not made available, and as such the service of that facility of disposing of gully waste could not be provided for the people who required that. The water facilities and the three phase electricity had not been obtained for the waste management centre maintained at present.

(c) **Sustainable Development Goals**

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

3.2 Management Inefficiencies

The payable tax to the Department of Inland Revenue during the period from 2006 and 2009 amounting to Rs.103,521 had been retained in the General Deposit Account without taking action to pay.

3.3 Human Resources Management

Action had not been taken to recover employees loans amounting to Rs.267,283 recoverable since number of years from 07 employees who transferred out, retired and vacated of posts.

3.4 Assets Management

3.4.1 Idle and Underutilized Assets

Four motor vehicles and machineries valued at Rs.906,174, a cab vehicle and a trailer which value not mentioned had remained idle without being utilized since number of years. Even though, the Boards of Survey 2016 had recommended to dispose said motor vehicles and machineries, that actions had not been completed due to legal documents including registration certificates had been misplaced or action not taken to vesting ownership from the institutions who supplied those motor vehicles.

3.4.2 Failure to obtain Receivable Revenue from Assets

Even though, 06 trade stalls had been allocated for meat and fish stalls, behind the public market complex two trade stalls out of that had been closed from the year 2016 up to May 2018 and as such the revenue could have been earned to the Sabha had been deprived.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

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

Provisions aggregating Rs.10,962,337 had not been utilized comprising the entire provisions of Rs.105,000 made for 03 Objects and provisions totalling Rs.10,962,337 ranging from 10 per cent to 88 per cent from the provisions made for 21 Objects in the Budget for the year under review. A sum of Rs.45,904,403 had been incurred exceeding the budgeted provisions ranging from 04 per cent to 411 per cent relating to 07 Objects.

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 -----	Deficiency -----
(a) Accounting	(i) Failure to rectify the errors pointed out in preceding year audit report. (ii) Unclear narrations presented with the journal entries. (iii) Non-reconciliation of accounts with schedules. (iv) Non-preparation of ledger accounts correctly. (v) Failure to update General Deposits Register.
(b) Revenue Administration	(i) Legal action not taken to recover arrears of revenue. (ii) Non-maintenance of annual registers in respect of businesses and industries.
(c) Budgetary Control	(i) Considerable savings in estimated provisions. (ii) Non-recovery of estimated revenue.
(d) Assets Control	(i) Failure to furnish Daily Running Charts. (ii) Failure to carry out fuel consumption tests of motor vehicles. (iii) Action not taken to vesting of motor vehicles belonging to other institutions utilizing by the Sabha.