

Ratnapura Pradeshiya Sabha

Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 07 June 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 Ratnapura Pradeshiya Sabha as at 31 December 2017 and its financial performance and cash flows 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) Payables totalling Rs.525,904 for 05 construction works which completed during the year under review had not been brought to account and as such the Capital expenditure for the year under review and the creditors as at 31 December 2017 had been understated by similar amount.
- (b) Instead of the retention money amounting to Rs.49,230 brought to account relating to a work implemented from the funds of the Sabha in the year under review, a sum of Rs.748,642 had been brought to account and as such the capital expenditure and the creditors as at 31 December 2017 had been overstated by Rs.699,412.
- (c) Fixed assets totalling Rs.34,714 purchased during the year under review had not been capitalized and as such the balance of the property, plant and equipment had been understated by similar amount.
- (d) Even though, the revenue from the salary reimbursements for the year under review amounted to Rs.16,202,073 that value had been brought to account as Rs.16,288,086. As such the revenue for the year had been overstated by Rs.86,013.

1.3.2 Lack of Evidence for Audit

Even though a sum of Rs.42.99 million had been capitalized through the grants contribution to capital outlay account as the value of the multi-purpose building received as grants under Puraneguma Project implemented on the provisions of the Ministry of Local Government and Provincial Councils, no written evidence whatsoever had been furnished to audit.

1.3.3 Non – compliance with Laws, Rules, Regulations and Management Decisions

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
-----	-----	-----
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 396	23,552	Action had not been taken in respect of 11 cheques not presented to the bank and lapsed over 06 months from the date of issue.
(ii) Financial Regulation 754		Action had not been taken to balance the Inventory Book at the end of each financial year.
(iii) Financial Regulation 1645		The Daily Running Charts relating to 03 motor vehicles belonging to the Sabha had not been furnished to audit continuously.
(b) Paragraph 03 of the Circular No.02/2015 of the Ministry of Finance dated 10 July 2015.		A qualified committee had not been appointed to identify the motor vehicles to be disposed and it was decided to auction 03 motor vehicles and a lorry belonging to the Sabha according to the recommendation of the Depot Superintendent of the Ceylon Transport Board.

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.12,676,436 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,160,459.

2.2 Revenue Administration

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

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

Source of Revenue	<u>2017</u>				<u>2016</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.
Rates and Taxes	157,840	837,043	847,136	60,457	301,400	292,341	308,300	66,683
Lease Rent	455,000	96,678	96,678	-	765,500	260,811	260,811	-
Licence Fees	690,200	1,007,875	1,007,875	182,780	524,650	680,286	691,236	182,780
Other Revenue	27,347,500	17,151,122	10,737,057	30,969,407	29,712,950	9,893,795	10,499,639	20,777,423

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 in the revenue collected with regard to the revenue items such as rates and taxes, license fees and service charges by 437 per cent, 46 per cent and 02 per cent respectively and the revenue collected with regard to the revenue items such as lease rent, warrant charges and fines, other revenue and contribution made by the Government had decreased by 79 per cent, 26 per cent, 96 per cent and 24 per cent respectively as compared with the estimated amount.

2.2.3 Rates

Even though, six developed village areas had been identified on 30 June 2011 to recover rates and taxes within the authoritative area of the Sabha, preparation of the map including demarcations of the limits to publish the map of the developed village areas had been delayed continuously. As such a major revenue had been deprived by the Sabha even by the end of the year under review.

2.2.4 Licence Fees

The Sabha had failed to recover the balance of the trade licence fees totalling Rs.182,760 recoverable for the period from the year 2008 to 2010 while the approval to write off that balance had been requested from the Commissioner of Local Government on 09 March 2018.

2.2.5 Other Revenue

A survey had not been conducted in respect of the institutions from which the industries tax, business tax and trade licence fees to be recovered.

2.2.6 Court Fines and Stamp Fees

The following matters were observed.

- (a) The Sabha had failed to identify the court fines revenue for the period from February to December 2017 even by March 2018.
- (b) Action had not been taken to identify and recover the stamp fees revenue receivable for the year under review and for the preceding year.

3. Operating Review

3.1 Performance

The matters revealed on execution of the activities to be carried out by the Sabha such as regularize and control over public health, public utilities services and public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) Annual Action Plan

An Annual Action Plan for the year under review had not been prepared by the Sabha.

(b) Solid Waste Management

The following matters were observed.

- (i) In terms of Sub-sections 93(b) and (c) of the Pradeshiya Sabha Act No.15 of 1987 one of the activity of the Pradeshiya Sabha was to take all steps required to remove the waste of all houses in the due periods properly and to dispose the waste and sewage remained in the streets within the area as far as possible. Despite, the people of the area had requested the said service, the Sabha had failed to plan and implement a proper waste management programme.
- (ii) Even though, the sewage and scavenging service and recover charges thereon had been shown as a matter subjected to the by-laws in terms of Section 126(ix)(b) of the Pradeshiya Sabha Act No.15 of 1987, the Sabha had failed to impose by-laws thereon and implement even by 31 December 2017.

(c) Sustainable Development Goals

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

3.2 Management Inefficiencies

The following matters were observed.

- (a) Action in terms of Financial Regulation 103 had not been taken even by 31 December 2017 in respect of the shortage of 33 units of goods relating to 16 items revealed in the Boards of Survey of the year 2016 and other recommendations of that report also had not been implemented.
- (b) The capacity of the fuel tank of a cab vehicle belonging to the Sabha had been 65 litres, and according to the examination carried out on Daily Running Charts relating to the period from 24 January 2017 to 12 June 2017 the balance of the fuel should be ranged from 230 litres to 368 litres. But, a proper examination had not been carried out in this connection and this position had been developed continuously.
- (c) Even though, the receipts and issues of the counter foil books should be entered in the Register of Counterfoil books prepared in terms of Government Financial Regulation 341, the counterfoil books of fuel orders had not been entered as above and the issues had been made without considering the serial number order. Similarly, the internal control in respect of issuing fuel orders and the payments made thereon had remained at a weak level.

3.3 Operating Inefficiencies

In terms of Sub-sections 1(a) and (b) of the Section 24 of the Pradeshiya Sabha Act No.15 of 1987, the function of every Pradeshiya Sabha should be, to take actions such as to make permanent marks and demarcations on the roads and narrow streets maintained by the Pradeshiya Sabha and to prepare plans of those roads and narrow streets, take a name list of those roads and streets and to take actions to publish advertisements as prescribed in the directives. Nevertheless, the Sabha had not taken action in terms of the above Sections and it was failed to Gazette the roads belonging to Sabha even by 31 December 2017.

3.4 Assets Management

Even though, 70 cemeteries had belonged to the Sabha, the ownership of 68 cemeteries out of that had not been cleared.

3.5 Procurements

Procurement Plan

The Sabha had not prepared a Procurement Plan for the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) Entire provisions amounting to Rs.6,109,000 made for 29 Objects had been saved.
- (b) Excess provisions had been made for 07 Objects and as such the savings after utilization of provisions had ranged from 86 per cent to 99.9 per cent of the provisions of that Objects.
- (c) The expenditure incurred over the provisions relating to 03 Objects totalled Rs.45,173.

4.2 Audit and Management Committees

Action had not been taken to establish and implement the Audit and Management Committees.

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 controls.

System

(a) Accounting

(b) Revenue Administration

(c) Assets Utilization

Deficiency

(i) Overstatements of Revenue.

(ii) Un-reconciliations between ledger accounts and subsidiary Registers.

(iii) Omissions in the accounts.

Non-recovery of due revenue.

Action not taken to clear the ownership of the assets.