

Ratnapura Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 28 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 30 May 2019.

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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The provisions for debtors had not been made for the receivables to the Sabha totalling Rs.1,094,758 relating to 03 works completed in the year under review.	The relevant adjustments should be made and rectified the accounts.	Action will be taken to rectify in preparation of accounts for the year 2019.
(b) Receivable accounts of Rs.1,995,000 for the Gillimale water supply scheme had been brought to account twice.	The relevant adjustments should be made and rectified the accounts.	Action will be taken to rectify in preparation of accounts for the year 2019.
(c) The printing machine valued at Rs.36,600 purchased during the year had not been capitalized.	The purchases of fixed assets should be capitalized.	Action will be taken to rectify in preparation of accounts for the year 2019.
(d) A difference of Rs.6,035,322 was observed between the balances of financial statements and the balances of subsidiary registers	The reasons for the difference should be identified and the accounts should be updated.	The difference of the balance in these 2 registers had existed for a long period. Action will be taken to find the differences in prior years and to update in

relating to 02 items of accounts as at the end of the year under review.

future.

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.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
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Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 371(2)(c)	The sub-impressts totaling Rs.463,245 granted in 16 instances from the year 2005 to the year 2016 had not been settled.	Action should be taken in terms of Financial Regulations.	Action will be taken to recognize these advances and to recover from respective parties.

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 2018 amounted to Rs.9,913,203 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.12,676,436.

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>2018</u>				<u>2017</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
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,191,240	1,329,515	1,316,043	69,496	157,840	837,043	847,136	60,457
(ii) Lease Rent	481,400	46,800	46,800	-	455,000	96,678	96,678	-
(iii) Licence Fees	706,650	634,600	634,600	-	690,200	1,007,875	1,007,875	182,780
(iv) Other Revenue	19,598,000	21,630,338	37,833,060	18,391,992	27,347,500	17,151,122	10,737,057	30,969,407

2.2.2 Licence Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Three hundred sixty eight business institutions had paid fees and applied for trade licences by 16 November 2018 and 148 applications had been referred for the recommendation of the Medical Health Officer. As the recommendations were delayed only 21 trade licences had been issued.	Action should be taken to issue licences for all institutions.	As the delays of the recommendations to be given by the office of the Medical Health Officer, the amount of trade licences issued by the Council were decreased. The respective officers had been informed thereon and the all trade licences received from 01 January 2019 has been referred to the office of the Medical Health Officer up to now.
(b)(i) Even though, the legal actions should be instituted against the business/ industries who had not obtained Environmental Licences in terms of the National Environmental Act No.17 of 1980 as amended by the Acts No.56 of 1988 and No.53 of 2000 and the regulations imposed thereon, an annual survey or other formal methodology had not been followed.	Action should be taken to issue licences for all institutions for which should be obtained the environmental licences.	The surveys for the year 2018 could not be carried out due to the vacancies in the posts and the subject officer had obtained maternity leave.
(ii) Out of the applications received by the Sabha, 05 licences only had been issued during the year under review. The Sabha had failed to recover 90 per cent of estimated environmental licences revenue for the year under review. Despite that, there were businesses/ industries within the authoritative area for which should be obtained environmental licences action had not been taken thereon, and as such the responsibility of the Sabha in respect of the environment protection of the authoritative area of the Sabha had not been executed adequately.	Action should be taken to issue licences for all institutions of which should obtain Environmental Protection licences.	The all vacancies were filled at present and as such taking required actions and the issuing licences were commenced.

2.2.3 Other Revenue

Audit Observation

A revenue of Rs.120,000 per annum was deprived by the Sabha due to non-recovery of business tax which to be recovered annually from 23 telecommunication towers and 17 small hydro power stations in the authoritative area of the Sabha.

Recommendation

Action should be taken to prepare by-laws and recover revenue.

Comments of the Accounting Officer

As legal background required should have been made through by laws in respect of recovery of fees from telecommunication towers and the small hydro power stations within the authoritative area of the Sabha, action will be taken thereon in future.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

(a) Solid Waste Management

Audit Observation

According to the Action Plan of the year 2018, it was planned to conduct 03 awareness programmes for school children in respect of Solid Waste Management and collection of bio degradable waste in the premises of new town head office and produce fertilizer and cultivation of flowers and vegetables by using that fertilizer but those activities could not be executed by the Sabha even by the end of the year under review.

Recommendation

A proper Solid Waste Management Programme should be planned and executed.

Comments of the Accounting Officer

A new Sabha was appointed by April 2018 and in taking actions as per the Sabha decisions these activities could not be implemented as the financial situation was not sound.

(b) **Sustainable Development Goals**

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though, the Urban Council 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 Urban Council through global indicators for that objectives had not been prepared even by December 2018.

The long term plans should be prepared and implemented with identifying the Sustainable Development objectives, goals and indicators properly.

According to the objectives of Sustainable Development Goals, many programmes had been implemented by the mobile programme of “Me Arambumai” with the commencement of the Sabha.

3.2 Human Resources Management

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Nine vacancies in 07 approved posts had remained vacant by the end of the year under review.

Action should be taken to fill the vacancies of above posts.

It was informed to the Assistant Commissioner of Local Government and to the Chief Secretary by 04 reports to fill the vacancies of the Sabha.

(b) Without taking action either to ensure the necessity of the posts and to revise the approved cadre or to terminate the service at the end of the agreed period, 11 employees had been deployed in service, by renewing the service agreements. The salaries and wages amounting to Rs.2,018,930 had been paid from the Sabha fund for above employees during the year under review.

Action should be taken to revise the approved cadre and suitable action should be taken in respect of the employees recruited on service agreements.

It was informed since several years to the Department of Management Services to approve new posts under Financial Regulation 7 in respect of these posts. But no information whatsoever had been received in respect of these posts.

3.3 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Sabha had not followed a formal methodology to identify unauthorized constructions in the authoritative area of the Sabha and to remove or to regularize those.	A formal programme should be planned and implemented to identify the unauthorized constructions and for further activities.	As per the public complaints received in respect of unauthorized constructions, action was taken to remove or to take further action based on the recommendation given by the Technical Officer.
(b) Even though, 06 developed village areas had been identified by 30 June 2014, the Gazette Notification thereon had not been published. Therefore, the rates and taxes could not be recovered from those areas even by the end of the year under review and as such a major revenue had been deprived by the Sabha.	The activities relating to recovery of revenue recoverable to the sabha should be carried out without any delay.	As required approval to publicize the developed village areas in respect of recovery of rates and taxes of the authoritative area of the Sabha had been given at present by the Assistant Commissioner or Local Government, the required. further actions will be taken in next months as per the decisions of the Sabha.

3.4 Assets Management

3.4.1 Assets not Recorded

Audit Observation	Recommendation	Comments of the Accounting Officer
The Register of Street Lamps of the Sabha had not been maintained in an updated manner.	The Registers should be maintained in an updated manner.	The subject officer had been informed to maintain the Register of street lamps in an updated manner and follow up action will be taken.

3.4.2 Not carried out Maintenance and Repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The JCB machine belonging to the Sabha was broken in the year 2016 and an estimate of repairs amounting to Rs.1,721,277 had been given by the	Action should be taken to carry out maintenance and repair works properly	It was difficult to allocate a large amount for repairs of JCB machine belonging to the Sabha due to poor financial position of

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| | and without any delay. | the Sabha. Immediate action will be taken to repair the above machine and to recover revenue as possible. |
| (b) Even though, the machine had been referred for the repairs to the agency institution in March 2018, the Chairman had informed in writing to the relevant Agency on April 2018, that it was not required to do the repairs of the machine. The machine was kept parked in the Agency institution up to 12 December 2018 and a fruitless expenditure amounting to Rs.42,550 had to be incurred by the Sabha as testing fees and transportation charges. | Action should be taken to carry out maintenance and repair works properly without any delay. | It was difficult to allocate a large amount for repairs of JCB machine belonging to the Sabha due to poor financial position of the Sabha. Immediate action will be taken to repair the above machine and to recover revenue as possible. |
| (c) A revenue amounting to Rs.308,750 had been earned by the Sabha from renting out this machine during the period from January to 10 th March 2016. Due to non-repairing the machine immediately, a revenue had been deprived by the sabha and there is a risk of increasing repair expenditure further. | Action should be taken to carry out maintenance and repair works properly without any delay. | It was difficult to allocate a large amount for repairs of JCB machine belonging to the Sabha due to poor financial position of the Sabha. Immediate action will be taken to repair the above machine and to recover revenue as possible. |

3.4.3 Idle and Under-utilized Assets

Audit Observation

 Necessary actions had not been taken in respect of 05 motor vehicles which were not in running condition since for over a period of 03 years.

Recommendation

 Action should be taken either to repair or to dispose.

Comments of the Accounting Officer

 The necessary actions will be taken in future to dispose respective vehicles.

3.5 Procurements

3.5.1 Procurement Plan

Audit Observation

Even though, a Procurement Plan should not be prepared for the year under review, procurements valued at Rs.4,094,280 had been carried out.

Recommendation

Annual Procurement Plan should be prepared.

Comments of the Accounting Officer

As purchases had been made as per the urgent requirement, the all purchases of the Sabha had been made according to the approval of the pricing committee and as such required goods were procured as per the requirements considering Sabha Fund and preparing a Procurement Plan was difficult. Action will be taken to avoid this situation in future.

3.5.2 Supplies and Services

Audit Observation

Even though, the quotations had been called from the suppliers unregistered and the street lamps equipment had been purchased by incurring Rs.765,620 the appointing of Technical Evaluation Committee relating to this procurement and recording of receiving and issuing of goods in stock books had not been made.

Recommendation

Action should be taken according to the Procurement Guidelines.

Comments of the Accounting Officer

With the new commencement of the Sabha, the fixing of street lamps in the authoritative area of the Sabha was a prioritised work for the mobile service programme with covering all, areas. This work had to be expedited and as such the purchases had been made from the former institution. Action is being taken to rectify the lapses relating to recording of receipts and issues in stock books.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

(a) The entire provisions totalling Rs.1,693,000 relating to 25 Objects in the year under review had been saved.

(b) Out of the total provisions of Rs.91,063,000 relating to 18 objects made in the year under

Recommendation

Action should be taken to allocate provisions with a proper planning and to utilize the provisions effectively.

Action should be taken to allocate provisions with a proper planning

Comments of the Accounting Officer

As expenditure opportunities not arised for these objects the provisions were saved in some objects.

As expenditure opportunities not arised for these objects the provisions were saved in some

review the provisions ranging from 50 percent to 96 percent had been saved.

and to utilize the provisions effectively.

objects.

4.2 Internal Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

An internal audit for the year under review and for the preceding year had not been carried out.

An internal audit should be carried out.

An internal audit officer had been appointed at present and required action for audit will be taken in future.

4.3 Audit and Management Committees

Audit Observation

Recommendation

Comments of the Accounting Officer

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

Action should be taken to establish and implement the Audit and Management Committees.

The Audit and Management Committee relating to first quarter of the year 2019 had been held on 10 April 2019.