

**Rambukkana Pradeshiya Sabha**  
**Kegalle 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 statements had been issued to the Chairman on 17 June 2020 and 11 August 2020 respectively.

**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 Rambukkana 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>   |
|--|--|---|
| -----  | -----  | -----   |
| (a) The capital grants and the capital expenditure had been brought to account overstating by Rs.461,569 in the year under review.   | The revenue and expenditure relating to the year should be correctly identified and brought to account.  | Action will be taken to rectify in preparation of financial statements for the year ended 2020. |
| (b) As over provisions of Rs.499,502 had been made for creditors relating to the year under review, the balance of creditors had been overstated by similar amount.                  | The provisions for creditors relating to the year should be correctly identified and brought to account. | Action will be taken to rectify in preparation of financial statements for the year ended 2020. |
| (c) Court fines revenue relating to the year under review had been brought to account understating by Rs.745,694.  | The revenue relating to the year should be correctly identified and should be brought to account.        | Action will be taken to rectify in preparation of financial statements for the year ended 2020. |
| (d) A total difference of Rs.5,684,963 was shown between the balances as per the financial statements relating to 04 items of accounts and the balances as per subsidiary registers. | The balances shown in the financial statements should be reconciled with the subsidiary registers.       | Action will be taken to examine and to rectify.   |

#### 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><br>-----                               | <b>Non-compliance</b><br>-----  | <b>Recommendation</b><br>-----                                | <b>Comments of the Accounting Officer</b><br>-----   |
|--|---|---|--|
| (a) Pradeshiya Sabha Act No.15 of 1987.<br>-----   |   |   |  |
| (i) Sub-section 24(a) and (b)  | The road inventory had not been updated after the year 2011.  | Action should be taken in terms of provisions of the Act.     | Necessary action will be taken to update the road inventory.   |
| (ii) Section 149   | The charges upto 1 per cent amounting to Rs.1,233,395 had not been recovered from 03 hotels registered in Sri Lanka Tourist Board.  | Action should be taken to recover revenue receivable.         | Action will be taken to institute legal action expeditedly in respect of the hotels mentioned in the audit query.  |
| (iii) Sub-section 158 (i) (b)  | Action had not been taken to recover assessment tax unrecovered of Rs.241,143 for private properties for over a period of one year. | Action should be taken in terms of the provisions of the Act. | Action will be taken to institute legal action in respect of the money which could not be recovered.   |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.<br>Financial Regulation 571 (2) | Action had not been taken on lapsed deposits amounting to Rs.2,183,602 relating to the period from the year 2006 to 2015.           | Action should be taken in terms of Financial Regulations.     | The subject officers had been informed to take into revenue the lapsed deposits in terms of Financial Regulation 571(2) and a sum of Rs.1,858,521 has been taken into revenue up to now. |

## 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.24,858,197 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.28,461,090.

### 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  | 2019              |                |                   |                                 | 2018              |                |                   |                                 |
|--------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
|                    | 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. Rates and Taxes | 6,681,613         | 4,690,572      | 4,572,440         | 815,102                         | 6,186,286         | 5,697,341      | 5,397,065         | 1,077,221                       |
| ii. Lease Rent     | 12,007,295        | 13,481,206     | 13,076,706        | 1,231,848                       | 11,912,975        | 11,800,805     | 11,322,271        | 1,011,890                       |
| iii. License Fees  | 4,317,500         | 3,249,249      | 3,244,219         | 82,789                          | 4,423,360         | 4,580,776      | 4,497,987         | 82,789                          |
| iv. Other Revenue  | 52,854,422        | 37,575,487     | 16,875,313        | 26,257,772                      | 25,614,500        | 69,093,287     | 18,272,664        | 52,413,213                      |

#### 2.2.2 Acreage Tax

##### Audit Observation

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The balance of arrears of acreage tax as at the end of the year under review amounted to Rs.113,781 and it included a receivable balance of Rs.99,370 which elapsed a period over one year.

##### Recommendation

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The arrears of revenue should be recovered.

##### Comments of the Accounting Officer

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Necessary action is being taken connecting with the office of the Divisional Secretary to write off a sum of Rs.72,116 out of the balance which elapsed one year and action will be taken to recover other balances of arrears during the year 2020.

#### 2.2.3 Trade Stall Rent

##### Audit Observation

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Even though the balance of arrears of trade stall rent as at the end of the year under review amounted to Rs.671,296, a sum of Rs.20,150 out of that had been recovered in the year 2020. The receivable balance which elapsed a period over one year amounted to Rs.269,496.

##### Recommendation

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Action should be taken to recover arrears of revenue without a delay.

##### Comments of the Accounting Officer

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This was discussed at the Kegalle District Audit and Management Committee meeting held on 19 December 2019 and it was decided to have a technical report and to take action on that report and to proceed further actions accordingly.

#### 2.2.4 Environmental Licences

|     | <b>Audit Observation</b><br>-----   | <b>Recommendation</b><br>-----                            | <b>Comments of the<br/>Accounting Officer</b><br>-----   |
|-----|---|---|--|
| (a) | In terms of National Environmental Act No.47 of 1980 as amended by the Acts No.56 of 1988 and No.53 of 2000 and the regulations imposed under it. Action had not been taken to renew 45 environmental licences which had exceeded the period and as such a revenue of Rs.180,000 had been deprived of by the Sabha. | Action should be taken to renew the expired licences.     | All licences holders has been notified to renew licences in writing. Action will be taken to make awareness again for the industries that have not been renewed.                             |
| (b) | A formal methodology had not been implemented to identify and regularize the industries that are operating unauthorizably without obtaining environmental licences and to issue environmental licences for the said industries  | Action should be taken in terms of the Environmental Act. | At present action is being taken to maintain a register for unauthorized industries identified during field inspections, and necessary steps are being taken to regularize those industries. |

#### 2.2.5 Court Fines and Stamp Fees

| <b>Audit Observation</b><br>-----   | <b>Recommendation</b><br>-----                                       | <b>Comments of the<br/>Accounting Officer</b><br>-----   |
|---|--|--|
| The Court Fines and Stamp Fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs.2,442,361 and Rs.23,815,095 respectively, while the balance receivable for over a period of one year amounted to Rs.1,742,183 and Rs.3,815,095 respectively. | The revenue receivable to the Sabha should be recovered immediately. | Even though the relevant institutions are regularly informed about court fines/ stamp fees, the money relating to the year under review is not received in the same year to the Sabha. |

### 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) **By-laws**

| <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>   |
|---|--|---|
| -----<br>The by-laws of parking, control and regulation of traffic in the Rambukkana Pradeshiya Sabha area has been published in the Gazette dated 15 July 2005, but due to the failure to embrace it as stated in the Gazette a revenue of Rs.222,256 had been deprived of by the Sabha. | -----<br>Action should be taken to increase the revenue by embracing the by-law. | -----<br>The parking, control and the regulation of the traffic near the Pinnawala Elephant Orphanage has been carried out, but the Sabha does not have other parking spaces for the vehicles mentioned in the Gazette notification as such there is a problem in respect of charging fees. |

(b) **Solid Waste Management**

| <b>Audit Observation</b>  | <b>Recommendation</b>                   | <b>Comments of the Accounting Officer</b>   |
|---|---|---|
| -----   | -----                                   | -----   |
| (i) The composts has been produced from the waste collected in the authoritative area of the Pradeshiya Sabha and the remaining waste was disposed of irregularly in the same land. | Waste disposal should be done properly. | The remaining waste is being disposed of systematically at present and attention is being paid to purchase another land for this purpose as well. |
| (ii) The Sabha did not have a burner to burn non-perishable materials such as polythene.  | A suitable action should be taken.      | Attention has been paid for a sanitary land fill for waste and attention also has been paid to purchase a land thereon.                           |

(C) **Sustainable Development Goals**

| <b>Audit Observation</b>  | <b>Recommendation</b>                   | <b>Comments of the Accounting Officer</b>  |
|---|---|--|
| -----   | -----                                   | -----  |
| Even though, the Sabha had aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans through global indicators for that objectives to upgrade the livelihood and the health of the people of the authoritative area of the Sabha had not been prepared. | The long term plans should be prepared. | Action will be taken to prepare sustainable development goals for the year 2020. |

**3.2 Assets Management**

| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>   |
|--|---|---|
| -----<br>Action had not been taken to transfer the ownership of 24 vehicles to the Sabha valued at Rs.57,059,225 which received from the Ministry of Local Government and the Sabaragamuwa Provincial Council. | -----<br>Action should be taken for vesting the ownership to the Sabha. | -----<br>Necessary action will be taken to transfer the ownership of the vehicles to the Sabha. |

**4. Accountability and Good Governance**

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**Unresolved Audit Observations and Unreplied Audit Queries**  
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| <b>Audit Observation</b>   | <b>Recommendation</b>  | <b>Comments of the Accounting Officer</b>   |
|--|--|---|
| -----  | -----  | -----   |
| (a) The value of 04 land blocks in extent of 01 acre and 39.67 perches included in the Register of Fixed Assets had not been brought to account.   | The value should be brought to account.                              | The value of 04 land blocks will be brought to account as per new assessment in preparing final accounts for the year 2020. |
| (b) Action had not been taken to identify and settle the balance of Rs.76,704 shown under current liabilities under the name of the Rambukkana Urban Development Authority from the year 2016. | Action should be taken to settle the balance of current liabilities. | Action will be taken to investigate further and to rectify in preparing financial statements for the year 2020.             |