

Ruwanwella 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 12 May 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 11 August 2020 and 28 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 Ruwanwella Pradeshiya Sabha as at 31 December 2019 and the 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 assets valued at Rs.444,304 purchased during the year under review had not been capitalized.	The assets purchased during the year should be capitalized.	Action will be taken to rectify in the year 2020.
(b)	The balance of the suspense account brought forward amounting to Rs.327,347 had been deducted by the accumulated fund without being verified and confirmed the reason.	It should be identified and adjusted to the accounts and to be rectified.	Action will be taken to rectify in the year 2020.
(c)	As the analysis of the income and expenditure prepared monthly for the year under review, the receipts and payments of the advances amounted to Rs.908,929 and Rs.1,665,795 respectively, but that had been entered in the ledger as Rs.1,574,254 and Rs.1,577,543 respectively and as such the balance of the advance account had been understated by Rs.753,577.	The receipts and payments of advances should be correctly accounted for.	Action will be taken to rectify in the year 2020.

(d)	As per the expenditure analysis of the year under review the payment for creditors amounted to Rs.13,263,183 but it was entered as Rs.13,351,543 in the ledger. As such the balance of the creditors had been understated by 88,360.	The payments for creditors should be correctly accounted for.	Action will be taken to rectify in the year 2020.
(e)	As per the Daily Revenue Summary Register, the receipts for accumulated fund amounted to Rs.167,719 but it had been brought to account as Rs.2,691,008.	Should be correctly accounted for.	Action will be taken to rectify in the year 2020.
(f)	The provisions for audit fees had not been made for the year under review.	The provisions for the expenditure relating to the year should be allocated.	Since the amount was not reported from the audit the provisions for creditors could not be made. As the audit fees had been provided in the budget the payments can be made.
(g)	According to the bank account of employees loans, the payment of loans during the year under review amounted to Rs.7,263,710 but, it was shown as Rs.7,624,904 in the loan account thus a difference of Rs.361,194 was shown. Further, that amount of Rs.7,624,904 had been credited to the accumulated fund and as such the balance of the accumulated fund had been overstated by similar amount.	Should be correctly accounted for.	Action will be taken to rectify in the year 2020.

(h)	As per note 13 of the statement of financial position, the current liabilities as at the end of the year under review amounted to Rs.59,689,780 but it was shown as Rs.62,279,780 in the statement of financial position and as such the current liabilities had been overstated by Rs.2,590,000.	The reasons for the difference should be found and adjustments should be made.	Action will be taken to rectify in the year 2020.
(i)	A difference of Rs.3,388,918 was shown between the balances as per the financial statements relating to 10 items of accounts as at the end of the year under review and the balances as per subsidiary registers.	The financial statements should be reconciled with the relevant registers and the schedules and to be rectified.	Action will be taken to rectify in the year 2020.
(j)	As per the reports of the Boards of Survey, the total value of 05 items amounted to Rs.128,443,354 whereas that value as per the financial statements amounted to Rs.131,890,409 and as such a difference of Rs.3,447,055 was shown.	The Boards of Survey Reports and the financial statements should be reconciled and found the differences and to be rectified.	Action will be taken to rectify in the year 2020.
(k)	The purchases of library books in the year under review had been brought to account as Rs.879,168 but the purchases and donations as per the schedules furnished by the libraries had been Rs.491,998 and as such a difference of Rs.387,170 was shown.	The financial statements should be reconciled with the relevant registers and schedules and should be rectified.	Action will be taken to rectify in the year 2020.
(l)	There was a difference of Rs.167,760 between the revenue contribution to capital outlay account and the total value of the fixed assets.	The reasons for the difference should be found and rectified.	Action will be taken to rectify in the year 2020.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comments of the Accounting Officer -----
Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Action had not been taken in respect of unrefunded deposits, miscellaneous deposits and tender deposits amounting to Rs.1,900,227 relating to the period from the year 2013 to 2017.	Action should be taken in terms of Financial Regulations.	Action will be taken to take into Government revenue as at the end of the year 2020.

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.7,519,782 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.10,478,780.

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	6,222,042	5,880,164	5,326,792	3,531,435	3,187,000	4,259,303	3,102,285	1,157,018
(ii) Lease Rent	16,506,032	16,002,053	14,302,363	7,103,965	9,041,200	12,339,336	8,574,231	3,765,105
(iii) Licence Fees	795,100	848,449	848,449	29,745	610,100	677,460	677,460	-
(iv) Other Revenue	21,111,000	21,641,566	37,430,077	35,637,169	72,954,800	66,077,240	45,929,762	20,147,480

2.2.2 Rates and Taxes

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	The balance of arrears of rates amounting to Rs.3,468,458 as at the end of the year under review had included a sum of Rs.836,576 remained brought forward for over 02 years. Action had not been taken to recover arrears of rates in terms of Section 158 of the Pradeshiya Sabha Act No.15 of 1987.	Action should be taken to recover arrears of rates in terms of the Act.	The arrears is to be submitted to the Assistant Commissioner of Local Government for the approval to write off the arrears and the restraining of properties and the mobile services will be implemented to recover other arrears.
(b)	<u>Acreage Tax</u> The arrears of acreage tax as at the end of the year under review amounting to Rs.62,977 and a sum of Rs.55,862 remained for over 05 years had included in above arrears.	Action should be taken to recover arrears of revenue.	Acreage tax that had been in arrear for more than 05 years had been handed over to the Revenue officers to recover taxes.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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Public toilet rent, butcher shop and fish stall rent and penalty balance as at the end of the year under review amounted to Rs.1,719,052 and a sum of Rs.861,538 remained for over 04 years had included in the above amount.	Action should be taken to recover the arrears of revenue immediately and the provisions of the agreements should be followed.	Legal actions are being taken to recover public toilet rent, butcher shop and fish stall rent.

2.2.4 Court fines and stamp fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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The court fines receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs.6,735,590.	Action should be taken to obtain revenue receivable.	The Commissioner of Local Government has been informed to recover the court fines receivables.

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 the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Action had been taken to produce fertilizer in the waste yard and to dispose of the remaining solid waste to a private land. Even though, a land had been acquired for a sanitary land fill, only a project proposal had been submitted to the Central Environmental Authority for further action in this regard.	Action should be taken to consult the Central Environmental Authority and appropriate action should be taken in this regard.	A land had been acquired for a sanitary land fill. Even though a project proposal had been submitted to the Central Environmental Authority for further action in this regard but no response has been received.
(b) There was no permanent water supply for the waste yard and a Huller machine installed in the year 2014 had remained idle due to non-availability of three phase electricity. Similarly due to non-completion of the work on the sewage recycling project, the gully service could not be provided to customers who do not have waste disposal facilities.	The huller machine should be utilized for manufacture and the completion of the sewage recycling project should be expedited.	As the sewage recycling project is being built near the solid waste centre, arrangements are being made to use the discharged water for the waste yard, and the gully service will be continued to provide to those who have a place to dispose of the gully waste.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The balance of the payable accounts as at 31 December 2019 amounted to Rs.59,689,780 and out of that, the balance of creditors which remained for over 02 years amounted to Rs.15,433,989 but action had not been to settle the balances upto now.	----- Action should be taken to settle the old balances of creditors.	----- Action will be taken to settle the balance of creditors before end of this year.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) There were 17 vacancies of employees in 10 categories of posts of the cadre as at 31 December of the year under review and 23 excesses in 05 categories of posts.	Action should be taken to complete the essential vacancies and to get approved the excess staff or to revise the cadre.	Comments not furnished.
(b) The posts of Secretary, which mainly affecting to the operational performance of the Sabha had remained vacant from 31 March 2011 and the posts of draughtsman, librarian and the public market overseer had remained vacant from 23 September 2015, 01 January 2013 and 01 March 2018 respectively.	Action should be taken to fill essential vacancies.	An officer in Management Service has been appointed for the post of Secretary on acting basis, and the persons for other posts had not been recruited even on service agreements.
(c) Action had not been taken to recover the loan balances of Rs.80,150 receivable from February 2002 to the year 2013 from 06 employees who transferred on station transfers, retired and vacated of posts.	Action should be taken in terms of Sections 4.3, 4.4, 4.5 and 4.6 of the Establishments Code.	It needs time to check the information of one employee and the information of another employee cannot be found and the legal action will be implemented in the future to recover the loans in respect of other employees.

3.4 Transactions of Contentious Nature

Audit Observation

Recommendation

Comments of the Accounting Officer

The subsistence allowances can be paid to the Chairman only for duties outside the area of the Local Authority, but without confirming that the subsistence allowance of Rs.120,000 had been paid for 120 days relating to the months of June, August September and October in the year under review and it also included the office working days.

The subsistence allowance should be paid according to the provisions of the Establishments Code.

Travelling expenses had been paid for the few days which the Chairman stayed in office and that action will be taken to prevent this mistake happening again in future and the relevant driver has been instructed to write the running charts so as not to cause any lapses.

3.5 Assets Management

3.5.1 Idle Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to hand over the new weekly fair constructed under the Deyata Kirula Project in the year 2014 to the shop owners.

Action should be taken to open the weekly fair.

The new weekly fair will be opened as soon as the election is over.

3.5.2 Failure to ensure the Security of Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

Necessary action had not been taken to formalize the ownership, existence, security, maintenance and control of the cemeteries as per the Section 07 of the Local Government Circular No.08/2010.

Action should be taken in terms of the Circular.

Necessary action to execute a systematic program in respect of the cemeteries during the future period will be taken.

3.5.3 Procurements

Procurement Plan

Audit Observation

A procurement plan for the year under review had not been prepared.

Recommendation

A procurement plan should be prepared.

Comments of the Accounting Officer

Action will be taken to rectify in the year 2020.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

The entire provisions of 18 objects amounting to Rs.82,086,939 made in the budget for the year under review had been saved.

Recommendation

Action should be taken to allocate funds in a planned manner and to utilize those provisions effectively.

Comments of the Accounting Officer

In preparing the budget for the next year action will be taken to eliminate such type of objects.

4.2 Unresolved Audit Observations

Audit Observation

Even though all sub – imprests should be settled as at 31 December of the respective year, the action had not been taken even upto June 2020 to settle a sum of Rs.625,651 brought forward in the accounts prior to the year 2001 and advances amounting to Rs.187,889 which unsettled during the period from the year 2014 to 2018.

Recommendation

Action should be taken to settle.

Comments of the Accounting Officer

A sum of Rs.625,651 brought forward in the accounts prior to the year 2001 had been referred for the approval to eliminate from the registers.