

Ambalangoda Pradeshiya Sabha

Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 27 March 2013 and the financial statements for the preceding year had been presented on 27 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 16 August 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Ambalangoda Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Ambalangoda Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Salary reimbursements amounting to Rs.11,439,056 received from the Office of the Commissioner of Local Government of Southern Province for the year under review had been shown under one programme, without being apportioned among all the programmes.
- (b.) Capital aid amounting to Rs.13,514,007 receivable in respect of previous years had been written-off from the financial statements by Journal Entry No.35 without being properly identified.
- (c.) Five fixed assets valued at Rs.43,530 had not been capitalized.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.106,266,579 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.7,899,015 as compared with the excess of revenue over recurrent expenditure amounting to Rs.5,581,342 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Source of Revenue -----	Estimated -----	Actual -----	Cumulative Arrears as at 31 December -----
	5 V ¶	5 V ¶	5 V ¶
(i.) Rates and Taxes	23	15	156
(ii.) Lease Rent	1,950	1,897	244
(iii.) Licence Fees	954	1,270	23
(iv.) Other Revenue	12,352	19,439	12,125

2.2.2 Acre Tax and Lease Rent

Action had not been taken in terms of Section 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 to recover the Acre Tax amounting to Rs.155,557 and Lease Rent amounting to Rs.243,750 recoverable by the Sabha in respect of the year under review and the previous years.

(d.) Non-obtaining of Title Deeds

Title deeds had not been obtained for 04 plots of land to the extent of 90 perches given to the Sabha in respect of 04 land auctions carried out within the authoritative area of the Sabha.

2.4 Operating Inefficiencies

The following observations are made.

- (a.) The statements of declaration of assets and liabilities as required by Declaration of Assets and Liabilities Act No.01 of 1975 as amended by Act No.74 of 1988 had not been produced for years 2011 and 2012 by all the Members of the Sabha including the Chairman and the Vice-Chairman even by 20 March 2013: the date of audit examination.
- (b.) Loan balances amounting to Rs.40,375 had been outstanding from 11 ex-employees of the Sabha.
- (c.) A corporate plan at least for 03 years in terms of the letter No.PF/R/2/2/3/5(4) dated 10 March 2010 had not been prepared and an action plan for the year under review had also not been prepared.
- (d.) An annual procurement plan in terms of National Budget Circular No.128 dated 24 March 2006 had not been prepared.

2.5 Internal Audit

An Internal audit Division had not been established in the Institution, and an Audit and Management Committee had not been established in terms of the Circular No. PE/F/S/4(xiii) dated 28 August 2006 of the Secretary to the Ministry of Finance and Planning.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management