

Ayagama Pradeshiya Sabha

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Ratnapura District

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1. Financial Statements

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1.1 Presentation of Financial Statements

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The financial statements for the year under review had been presented for audit on 26 February 2013 and the financial statements for the preceding year had been presented on 27 February 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 25 November 2013.

1:2 Opinion

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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 Ayagama 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 Ayagama Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

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1:3:1 Accounting Deficiencies

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The following matters were observed.

- (a) The Value Added Tax remitted to the Commissioner General of Inland Revenue on behalf of the previous year was Rs.578,037. There were no entries relating to this in the ledger account.

- (b) The estimated revenue of court fines amounting to Rs.1,500,000 for the year under review had been included in the accounts. But, the actual revenue from court fines for the previous year was Rs.678,000 and the actual revenue for January to October of the year under review was Rs.332,417 which was of a lower value. The revenue of Rs.822,000 accounted in excess for the previous year had not been adjusted in the Accumulated Fund Account by a journal entry.
- (c) The revenue from stamp fees identified as at end of October of the year under review was Rs.3,251,530 and the balance as per accounts was Rs.182,526, respectively in a difference of Rs.3,069,004.
- (d) During the under review, the security deposit of Rs.4,888,540 had been accounted for as Rs.6,669,184 resulting in a difference of Rs.3,596,453. The security deposits released during the year under review was Rs.3,133,062. But, a sum of Rs.4,829,226 had been accounted for. As such, the difference was Rs.1,696,224.
- (e) The advances of Rs.292,840 paid during the year under review had been shown as Rs.6,971,440 in the accounts resulting in a difference of Rs.6,678,599.
- (f) The sum of Rs.1,860,000 obtained on 01 February 2012 from the Local Loans Development Fund for constructing the Ayagama Trade Complex had not been accounted for as liabilities. Instead it had been accounted for, as revenue under the Revenue Head, Capital Account.
- (g) The Revenue of Rs.704,667 relating to the 3<sup>rd</sup> stall of 2<sup>nd</sup> floor and the 2<sup>nd</sup> stall of first floor of the Public Trade Complex had been accounted for under advances.
- (h) The sum of Rs.7,145,230 being the value of five vehicles and 23 machinery belonging to the Sabha had not been entered in the register of fixed assets.

## 2 Financial and Operating Review

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### 2:1 Financial Results

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According to the financial statements presented, expenditure exceeding the revenue of the Sabha for the year ended 31 December 2012 was Rs.298,489 as against the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.1,402,257.

2:2 Financial Control

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The following deficiencies / shortcomings in financial control were observed.

- (a) The provision of Rs.583,000 in expenditure heads and 28 sub-objects during the year under review remained without any expenditure being made. Meanwhile, there were savings amounting to Rs.3,775,626.13.. in 40 expenditure heads.
- (b) Action had not been taken to settle the advances of Rs.1,627,962 obtained on 25 occasions from 2000 to the year under review even by 14 November 2012 the date of audit.

2:3 Revenue Administration

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2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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The information furnished by the Chairman relating to the estimated revenue, actual revenue and the arrears of revenue for the year under appear below.

	Source of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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		Rs.000'	Rs.000'	Rs.000'
(i)	Rates and Taxes	370	430	140
(ii)	Lease Rents	2,025	1,900	125
(iii)	Licence Fees	755	450	305
(iv)	Other Revenue	5,627	4,057	1,571

2:3:2 Courts Fines and Stamp Fees

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The amount receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 appear below.

	Rs.
(i) Court Fees	1,010,416
(ii) Stamp Fees	3,251,530

2:3:3 Lease of Fish Stalls

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The tenderer who was awarded the tender for the Fish Stall No. 1 of the Ayagama week end fair for the year 2012 had maintained the stall for 3 months only, that is from January to March. The tender had not been cancelled and awarded to the second highest tenderer for Rs.126,260. As such, the Sabha had been deprived of a revenue of Rs.63,130.

2:3:4 Other Revenue

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Lease rent of Rs.42,761 was due from the Media Centre of the Ayagama town as at end of the year under review.

2:4 Idle and Underutilized Physical Resources

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During the year concerned Fish Stall No 01 and shop as the Ayagama weekend fair and the fish sales centre at the Ayagama town remained closed without any revenue.

2:5 Operating Inefficiencies

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- (a) All assets of the Sabha had not been verified.
- (b) The cost of maintenance relating 10 water projects operated within the area of Ayagama Pradeshiya Sabha was Rs.354,519. The revenue billed upto 11 November 2012 was Rs.108,100. As such, an additional cost of Rs.246,419 had been incurred from the funds of the Sabha during the y current year.

3. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Utilization of Assets
- (d) Revenue Administration