

Ambagamuwa Pradeshiya Sabaha 2013

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 27 March 2014 while Financial Statements relating to the preceding year had been submitted on 21 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman on 21 October 2014.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Ambagamuwa Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with public sector accounting standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a.) The value of 5472 Library Books amounting to Rs.578,654 reported as misplaced according to the Board of Survey carried out as at 31 December of the year under review had been included in the value of Library Books as at 31 December of the year under review.
- (b.) Fixed Asset Account and the Contribution from Revenue to Capital Outlay Account had been understated due to non-capitalization of the value of Fixed Assets purchased for a sum of Rs.166,878 during the year under review to that extent.

1.3.2 Non-reconciled Control Accounts

While the total of balances according to the control accounts relevant to 02 items of accounts had been Rs.450,774, total of balances of those according to the subsidiary registers had been Rs.365,092 reflecting a difference of Rs.85,682.

1.3.3 Accounts Receivable

While the value of Capital Grants in arrears receivable as at 31 December 2013 was Rs.68,663,057, the value of balances that had elapsed more than one year included therein was Rs.15,663,591.

1.3.4 Accounts Payable

The value of balances of accounts payable as at 31 December 2013 that exceeded more than a period of 01 year was Rs.26,642, 945.

1.3.5 Lack of evidence for audit

Land and Buildings valued at Rs.95,464,000 shown in the Balance Sheet as at the 31 December of the year under review could not be satisfactorily vouched or accepted in audit due to non-submission of deeds in support of ownership, transfer orders and plans.

1.3.6 Non-compliance with Laws, Rules, Regulations etc.

Following non-compliances with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Pradeshiya Sabha Act No. 15 of 1987 Sub-section 107(2) (1)	Out of the sum of Rs. 174,787 spent during the year under review for removal of dangerous trees in private lands in the area of authority of the Sabah only a sum of Rs. 4,000 had been recovered from the owners of those lands.
(b) Circular No. 01/2013 dated 05 April 2013 of the Central Province Commissioner of Local Government. Paragraph 04	A sum of Rs. 315,000 had been paid at the rate of Rs. 2,500 per month for fuel allowance to 21 members from April 2013 up to September, without obtaining fuel bills and running charts to confirm that vehicles were used.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.4,666,978 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 10,743,642.

2.2 Analytical Financial Review

When the surplus for the year under review is compared with the surplus for the preceding year, there had been a diminution of Rs. 6,076,664 was observed. It was primarily due to following decreases in revenue and increases in expenditure.

Recurrent Revenue	2013	2012	Variance	Percentage
	Rs.	Rs.	Rs.	%
Warrant Charges and Fines	5,809,900	6,330,787	(520,887)	08.22
Other Revenue	8,207,841	14,011,128	(5,803,287)	41.42
Recurrent Revenue				
Salaries and Allowances	35,571,701	33,224,758	(2,346,943)	07.06
Travelling Expenses	1,706,872	1,404,017	(302,855)	21.57
Supplies and Equipment	6,850,416	5,576,463	(1,273,953)	22.84
Capital Assets and Repairs and Maintenance	6,661,746	4,166,422	(2,495,324)	59.89
Grants, Contributions and Subsidies	1,020,609	404,849	(615,760)	152.09

Although a sum of Rs.27,845,455 had been received as salary reimbursement of the year, a sum of Rs.35,571,701 had been paid as salaries and allowances. Accordingly, a sum of Rs.7,726,246 had been paid for payment of employees' salaries of the Sabah out of the revenue of the Sabha and that amount had been 32.27 of the recurrent revenue of the Sabah excluding the salary reimbursements.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue is shown below.

Arrears as at 31 December 2013

Revenue Item	Arrears as at 01.01.2013	Recovery out of arrears as at 01.01.2013	Billings during the year 2013	Recoveries out of billings during the year	Arrears as at 01.01.2013		Total Arrears
					Out of	Out of	
Rates	Rs. 2,063,722	Rs. 917,569	Rs. 5,965,806	Rs. 4,367,633	Rs. 1,146,153	Rs. 1,598,173	Rs. 2,744,326
Lease Rent	1,852,701	276,841	8,388,339	7,718,105	1,575,286	670,234	2,245,520
License Fees	182,421	--	3,823,270	3,823,270		--	182,421
Others	4,054,398	187,468	1,315,921	658,446	182,421	657,475	4,524,405
							3,866,930

According to the above particulars, when the total revenue collection is compared with the overall revenue billed for the year under review it was observed in audit that the management had not taken adequate action to recover the revenue billed for the year.

2.3.2 Tourists Hotels License Fees

Although there had been 13 hotels registered or approved in the area of authority of the Sabha according to the official web site of the Sri Lanka Tourism Development Authority, License Fees had been recovered from only three hotels as at 11 October 2013, date of audit. License Fees for the hotel had been recovered based on the turnover submitted by one business entity, out of those.

2.3.3 Lease Rent

Although action should be taken to carry out a revision of lease rent of stalls once in three years and renew the agreements in terms of Circular No. 46 dated 30 December 1980 of the Commissioner of Local Government, action had not been as per circular instructions for more than a period of 10 years. Due to that, a large amount of revenue had been lost to the Sabha. Similarly, necessary legal action too had not been taken with regard to the activities carried out contrary to the agreements by the individuals who obtained the stalls on rent.

2.3.4 Court Fines and Stamp Fees

A sum of Rs.3,506,680 as Stamp Fees, and a sum of Rs.3,235,541 as Court Fines were receivable from the Chief Secretary to the Central Provincial Council and other authorities as at 31 December 2013 of the year under review.

2.3.5 Advertisements Board Charges

A sum of Rs.771,700 was outstanding to be recovered for 5,338 square feet of 76 Publicity Advertisements Boards fixed around Ginigathena area, on the basis of the charges recovered from the Dialogue Establishment alone.

2.3.6 Other Revenue

- (i.) Although a sum of Rs.93,359 had been spent out of the Sabha Fund during the year under review in connection with work related to the Public Latrine located in the Ginigathena Town, action had not been taken to obtain any revenue through tenders during the year under review, although some revenue had been earned during the previous years.

- (ii.) The sum of Rs.133,042 being the amount in arrears on account of leasing out 03 Meat Stalls and 02 public latrines relevant to the years 2012 and 2013 had not been recovered even up to 20 February 2014, date of audit.

2.3.7 Environmental Protection Permits Fees

It was observed in audit that 42 business entities falling under the categories of Residential Hotels, Visitors' Lodging Houses, and Rest Houses which had obtained trade licenses for the year 2013 and 08 categories of Industries liable to obtain Environmental Protection Permits were engaged in business without obtaining Environmental Protection Permits. However legal action in terms of Section 23 'a' of National Environmental Protection Act as amended by Act No.53 of 2000 had not been taken against the individuals who are conducting those businesses.

3. Operating Review

3.1 Performance Evaluation

Progress Reports and Management Reports indicating physical and financial progress had not been prepared to ensure compliance with the Annual Action Plan.

3.2 Physical Performance

Although an expenditure of Rs.40,911,936 had been incurred by the Pradeshiya Sabha to achieve the following objectives, only a sum of Rs.32,701,532 had been received through government contribution and other source of revenue according to the particulars furnished to the audit. Details are shown below.

Details	Government Contribution	Other Sources	Expenditure
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	Rs.	Rs.	Rs.
Health Services	4,712,532	6,571,572	21,129,695
Physical	6,150,234	3,459,784	9,408,013
Water Services	1,495,908	1,431,869	4,586,209
Public Utilities	--	7,857,418	577,256
Welfare	903,672	168,543	5,210,763
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	13,262,346	19,439,186	40,911,936
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3.3 Management Inefficiencies

Two officers and 81 employees had been recruited in order to carry out the services provided by the Sabah continuously and efficiently and had not been included in the approved cadre. Due to that, about a sum of Rs.1, 026,027 was being paid out of the Sabah Fund as monthly salaries and allowances. This had resulted in spending a large sum of money for salaries out of the money available for development activities in the area of authority of the Sabha

3.4 Operational Inefficiencies

Following matters are observed.

In examination of the Board of Survey Reports carried out relevant to the year 2012, it was found that only the actual balances of the inventory items and stores equipment in the Head Office had been shown and therefore it was not possible to identify the surpluses and excesses action had not been taken to assess the value of equipment misplaced and recover such value together with the value of 4718 book amounting to Rs.391,421 in 08 Public Libraries from the parties responsible for those, according to the Board of survey carried out relevant to the year 2012

3.5 Contracts Administration

A sum of Rs.30,502 had been paid for 5.3 excessive concrete cubic meters for making drains with 1:2:3(3/4) mixture of concrete for the construction works of St. Mary's College Building at Bogawantalawa.

3.6 Unauthorized Transactions

A sum of Rs.65,427 had been spent for prize distribution of farewell functions of 17 Pre-schools of the Pradeshiya Sabah and the Private Pre-schools for which legal provision is not made under Section 132 of the Pradeshiya Sabha Act No.15 of 1987.

3.7 Delays in implementation of Projects

A long delay was observed in implementation of Projects executed through the provisions of the Ministry of Live Stocks and Rural Community Development.

4. Accountability and Good Governance

4.1 Budgetary Control

- (a.) According to the Budget prepared for the year under review, when estimated revenue and expenditure compared with the actual revenue and expenditure, variations in a range from 26 to 95 percent in 06 items of revenue and 13 to 100 percent in 05 items of expenditure were observed. Therefore it was observed that the Budget had not been made use of as an effective tool of management.
- (b.) In addition to the approved provisions made in the Budget for the year under review, and after making provisions through supplementary budget and transfer of expenditure in addition, expenditure amounting to Rs.884,349 had been incurred exceeding those limits in 02 Expenditure Heads.
- (c.) Budgeted revenue of Rs.3,700,000 for 07 sub-revenue items under 04 Revenue Heads had not been recovered.
- (d.) It had been failed to recover budgeted revenue amounting to Rs.29,554,850 under 04 Revenue Heads.

4.2 Audit Queries not replied and un-resolved

Replies had not been furnished to 07 audit queries as at 31 December 2013.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Debtors and Creditors Control
- (f.) Stocks Control
- (g.) Contracts Administration