

Ambalangoda Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 26 March 2014 while Financial Statements relating to the preceding year had been submitted on 27 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman on 23 December 2014.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Ambalangoda Pradeshiya Sabha as at 31 December 2013 and its financial performance and Cash Flow for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Public Sector Accounting Standards

Although Local Authorities should prepare the financial statements according to the Sri Lanka Public Sector Accounting Practices with effect from 01 January 2011, in terms of circular No.PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.

1.3.2 Accounting Policies

Accounting Policies followed by the Sabha had not been disclosed together with the financial statements.

1.3.3 Accounting Deficiencies

The following observations are made.

- (a.) A sum of Rs. 12,492,108 received from the Local government Department as reimbursement of salaries for the year under review had been shown under one Programme without being apportioned among all the Programmes.
- (b.) The Stock of Drugs valued at Rs. 329,412 received as Ayurvedic Grants during the year under review and the 3600 Liters of Tar valued at Rs. 329,400 had been omitted in the financial statements.
- (c.) Although the Members Allowance relevant to the year under review was Rs.1,129,000, it had been shown as Rs. 637,800 in the financial statements. Due to that, expenditure on Members Allowance had been understated in a sum of Rs. 491,200.
- (d.) A sum of Rs. 171,150 spent for uniforms of the pre-school children had been shown as Capital Expenditure in the financial statements instead showing as Recurrent Expenditure.

- (e.) A sum of 2,194,524 paid during the year under review for Projects in the Development Plan of the year under review had been shown as expenditure of the year under review. Due to that, Capital Expenditure for the year under review had been overstated in a sum of Rs. 2,194,524.
- (f.) A sum of 7,498,394 payable during the year under review for Projects in the Development Plan had not been shown as Capital Expenditure of the year under review in the financial statements. Due to the Capital Expenditure of the year under review and the Creditors had been understated, while it had not been shown as Capital Grants and Capital Revenue causing understatement of Capital Revenue Receivable for the Roads Development Authority and Debtors in a sum of Rs.7,498,394.
- (g.) The sum of Rs. 1,696,102 received during the year under review on account of works of the preceding year had been shown as Capital Grants of the year under review in the financial statements causing overstatement of Capital Grants for the year under review and understatement of the Accumulated Fund by the same amount.
- (h.) The Advance of Rs. 400,000 paid for the purchase of Sports Equipment for the Aluthwala Children's Park had not been taken as expenditure during year, causing understatement of Capital Expenditure.
- (i.) The expenditure amounting to Rs. 2,340,023 incurred for the construction of Meetiyagoda Weekly Fair during the year under review and the sum of Rs.245,000 paid as compensation for acquisition of Meetiyagoda Trade Complex had not been capitalized.
- (j.) Although the Courts Fine s Revenue for the year under review was Rs.2,019,667, a sum of Rs.1,000,000 only had been provided as revenue for the year, causing understatement of revenue for the year under review in a sum of Rs. 1,109,667.
- (k.) Provision had not been made in the financial statements for Pension Contributions Payable on behalf of the Retired Local Government Employees amounting to Rs. 3,658,873 as at 31 December of the year under review.

1.3.4 Lack of Evidence for Audit

Evidences such as Title Deeds, up dated Register of Fixed Assets, Schedules, Board of Survey Reports and Confirmations of Balances connected with transactions totalling Rs.193,335,467 shown in the financial statements were not furnished to audit.

2. Financial and Operating 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. 12,660,949 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.7,899,015.

2.2 Revenue Administration

2.2.1 Rates

Although areas with electricity facilities, telephone facilities, water facilities and removal of refuse and garbage by the Sabha such as Batapola Town exist in the area of authority of the Sabha, action had not been taken to recover rates having approval of the Assistant Commissioner and the Minister in terms of Section 134(1) and (2) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Acreage Tax and Lease Rent

Action had not been taken to recover Acreage Tax amounting to Rs. 164,067 and Lease Rent amounting to Rs. 85,555 relevant to the year under review and previous years in terms of Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987 during the year under review as well.

2.2.3 Court Fines and Stamp fees

Courts Fines amounting to Rs. 2,437,677 and Stamp Fees amounting to Rs. 20,000,000 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31December 2013.

2.2.4 Leasing Stalls

Following matters were observed in the inspection carried out in connection with leasing out of the stalls in the Trade Complexes belong to the Sabha.

- (i.) An Annual Rent of Rs. 612,400 had been lost to the Sabha from 36 stalls during the year 2013 due to non-recovery of rent according to the revised stalls rent based on the new assessment sent by the Valuation Department during April 2013.
- (ii.) Although the sale or transfer or sub-leasing of the right to enjoy a stall or part of it should not be done without a written permission of the Sabha in terms of condition 06 of the agreement entered into with the lessee when providing the stall, 07 stalls had been sub-leased. Although the stalls should not be used as stores for goods in terms of condition 20 of the agreement in addition to that, goods had been stored in 03 stalls.
- (iii.) Although it had been informed that each agreement should be up dated once in three years according to Circular No. 2010/01 dated 27 December 2010 of the Commissioner of Local Government of the Southern Provincial Council, action had not been accordingly with regard to 36 stalls given on lease.

3. Operational Review

3.1 Management Inefficiencies

While Declarations of Assets and Liabilities had not been furnished for the years 2011 and 2012 by any Member including the Chairman, Vice Chairman as required in terms of the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 of 1988, Declarations of Assets and Liabilities had not been furnished for the year 2013 by the Chairman, the Vice Chairman and 08 Members.

3.2 Idle Assets

It was observed at the audit inspection carried out on 13 December 2013 that two Hand Tractors belong to the Sabha had had been kept idle during a period ranging from 05 to 09 years.

4. Systems and Controls

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

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