

Ayagama Pradeshiya Sabha

Rathnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 01 April 2014 while Financial Statements relating to the preceding year had been submitted on 26 February 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 20 November 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 Ayagama Pradeshiya Sabha as at 31 December 2013 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a.) While Courts Fines Revenue for the year under review had been identified as Rs.828,667, budgeted avenue of Rs.500,000 had been shown as the Courts Fines Revenue understating that revenue in a sum of Rs.328,667 and overstating the deficit in similar amount for the year under review.
- (b.) While Courts Fines Revenue Receivable had been identified as Rs.1,085,250, it had been shown as Rs.1,645,418 in the Courts Fines Ledger Account overstating the Revenue receivable in a sum of Rs.560,168.
- (c.) Assets valued at Rs.59,800 purchased during the year under review had not been accounted in the Fixed Assets Account and the Contribution from Revenue to Capital Outlay Account.
- (d.) Value Added Tax amounting to Rs.879,758 overpaid to the Commissioner General of Inland Revenue as pointed out in the audit report relating to the preceding year, had been shown as a liability in the Ledger Account and it had not been corrected and shown in the Ledger Account as a liability during the year under review as well.

- (e.) Revenue relating to 27868 Concrete Blocks produced and sold during the year under review for Rs.947,512 on credit basis had not been shown as revenue for the year under review. While the cost of production Rs.560,105 of those concrete blocks too had not been accounted, revenue receivable amounting Rs.947,512 too had not been shown in the Ledger Account.
- (f.) According to the Board of Survey Report for the year 2013, it had been recommended to auction goods totalling to value of Rs.83,897. However, value of those goods had been adjusted in the Contribution from Revenue to Capital Outlay Account and the Fixed Assets Account, before implementing the recommendation of the Board of Survey Report to auction those goods.
- (g.) Although 70 units of unserviceable goods costing Rs.15,174 had been destroyed during year under review, action had not been taken to remove that value from the Ledger Accounts.

1.3.2 Non-reconciled Control Accounts

While the total of balances relating to 03 Items of Accounts according to the Control account had been Rs.16,919,372, the total of those accounts according to subsidiary registers had been Rs.9,811,780. Accordingly a difference of Rs.7,109,182 was observed.

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

Three employees had been recruited on the basis of agreements and salaries amounting to Rs. 86,250 had been paid out of the Sabah Funds during the year under review, without obtaining the Approval of the Secretary to the Chief Ministry, contrary to the provisions in the Public Administration Circular No. 01/2010 dated 16 November 2010.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over operational revenue of the Sabah for the year ended 31 December 2013 amounted to Rs.2,443,029 as compared with the excess of recurrent expenditure over operational revenue for the preceding year amounted to Rs.298,489.

2.2 Analytical Financial Review

When compared with the preceding year, deficit of the financial operations for the year under review had been declined by 718 percent. It was mainly due to the higher rate of increased expenditure than the rate of increase in revenue and decrease in License Fees, and Warrant Charges and Other Income.

2.3 Revenue Administration

2.3.1 Revenue, Actual Revenue and Arrears of Revenue

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

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	355	477	110
(ii)	Lease Rent	1,627	2,223	17
(iii)	Licence Fees	472	369	42
(iv)	Other Revenue	11,829	10,447	2,503

2.3.2 Performance in Collection of Revenue

When estimated revenue for the year under review is compared with the revenue collected, a decrease of 28 percent less than the estimated revenue is shown in revenue collected as License Fees.

2.3.3 Other Revenue

While there are 11 Water Projects in operation providing facilities to 370 consumers at present, the maintenance expenditure of those as at 28 November 2013 had been Rs.423,909. The Billed Revenue up to that date had been Rs.180,332. It had not been possible to recover an adequate amount from the water consumers at least to cover the maintenance expenditure and, an additional cost of Rs.243,577 had been born out of the Sabha Fund up to the month of November of the year under review. Action had not been taken to recover arrears of Water Charges amounting to Rs.40,992 outstanding from water consumers for providing water supply through the above mentioned Projects during the year 2012.

2.3.4 Court Fines and Stamp Fees

Following observations are made.

- While Stamp Fees Revenue amounting to Rs. 1,398,690 identified for the period from April to September of the year under review had not been collected, action had not been taken to identify Stamp Fees Revenue to be collected from October onwards of the year under review.
- Action had not been taken to collect Court Fines Revenue amounting to Rs. 1,085,250 identified for the period from August 2012 up to December of the year under review.

3. Operating Review

3.1 Operational Inefficiencies

Following observations are made.

- (a.) Although 09 Hume Pipes of size 2'x 8 and 14 Hume Pipes of size 2'x 4 had been recorded according to the Hume Pipes Stock Register, there was a shortage of 02 Hume Pipes of size 2' x 8 valued at Rs.22,998 at the physical verification carried out on 02 December 2013.
- (b.) Stocks of General Stores Items purchased and utilized by the Sabha had not been correctly accounted through a General Sores Account.

3.2 Idle/Under-utilized Assets

The Crew Cab Vehicle, the Single Cab Vehicle, the Road Roller, the Swaraj Tractor and the Concrete Mixing Machine (small) awaiting repairs had not been repaired over a period of about one year and were in an immobile condition. Although a Concrete Mixing Machine received under the Chinese Government Aids had been awarded to the Sabha by the Disaster Management Ministry on 07 February 2012, that machine was in idle condition as at 28 November 2013, date of audit.

4. Accountability and Good Governance

4.1 Internal Audit

An adequate internal audit had not been conducted with regard to finance and stores in terms of Regulation 5(7) of the Pradeshiya Sabah Regulations (Finance and Administration) Series, of 1988.

4.2 Budgetary Control

Following observations are made.

- (a.) Income and Expenditure of the Concrete Blocks Production Project had not been properly estimated and included in the Budget for the year under review.
- (b.) While provisions amounting Rs. 38,913,736 made available relevant to 25 Expenditure Heads had been saved, provisions amounting to Rs. 338,500 made available for 09 Expenditure Heads had been saved without incurring any expenditure.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary control
- (c.) Revenue Administration