

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 27 March 2015 while Financial Statements relating to the preceding year had been submitted on 01 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 02 July 2015.

1.2 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 2014, 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 deficiencies are observed.

- (a.) Expenditure for the year under review had been understated, due to non-making provision under Creditors for expenditure amounting to Rs.135,475 relevant to the year under review.

- (b.) A sum of Rs. 397,822 received for sale of concrete stone blocks of the Concrete Stones Block Project on credit basis during the preceding year had been accounted as revenue of the year under review.
- (c.) Items of revenue and expenditure not accounted during past years and adjustments to accounts had been made to the Accumulated Fund annually, and therefore financial results relevant to a particular year could not be relied upon.

1.3.2 Non-reconciled Control Accounts

Difference between the balances relevant to 11 Items of Accounts according to financial statements as at 31 December 2014 and the Balances according to subsidiary Registers was Rs.11,084,686.

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

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

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Financial Regulations of the Republic of Sri Lanka <hr/> Financial Regulation 571	- Deposits withheld exceeding 06 months since the year 2011 continued to be retained without taking to revenue.
(b.) Gazette Notification No. 1597/8 of the Republic of Sri Lanka dated 17 April 2009 published by the Secretary to the Ministry of Urban Development and Sacred Lands	- Although charges should be recovered in terms of the Gazette Notification when granting approval for Telephones and Communication Towers, action had not been taken accordingly.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabah for the year ended 31 December 2014 amounted to Rs.4,360,166 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs.2,443,029.

2.2 Revenue Administration

2.2.1 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
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	495	417	284
(ii)	Lease Rent	2,723	2,627	178
(iii)	Licence Fees	465	341	17
(iv)	Other Revenue	4,029	12,449	1,297

2.3.2 Performance in Collection of Revenue

When actual revenue for the year under review is compared with the estimated revenue, decreases in a range from 0.8 per cent to 55.6 per cent were reflected in Rates and Taxes, Lease Rent, License Fees, Warrant Charges and Fines except Charges for Services.

2.3.3 Rates

While Rates amounting to Rs.60,353 was outstanding from 422 rate payers as rates in Arrears as at the end of the year under review, a formal procedure such as seizing properties had not been followed for the recovery of Rates in Arrears in terms of provisions in Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.

2.3.4 Other Revenue

Following observations are made.

- (a.) An Annual Survey had not been carried out in order to identify the businesses liable for taxes, established in the area of authority of the Sabha, even up to the time of audit in May 2015. Revenue Registers had been maintained only on the basis of establishment already paying taxes to the Sabha.
- (b.) While a detailed register relating to permanent advertisement boards displayed in the area of authority of the Sabha is not maintained, any revenue had not been received for displaying temporary advertisement boards during the year under review.
- (c.) Action had not been taken to recover a sum of Rs. 112,241 in arrears for a number of years from 345 water consumers of the Water Project as at the end of the year under review.

2.3.5 Court Fines and Stamp Fees

Following observations are made.

- (a.) Court Fines amounting to Rs. 70,083 receivable for month of December of the year under review was due to be recovered.
- (b.) Action had not been taken to obtain the Stamp Fees Schedules for September to December 2014 and recover the relevant revenue.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) Although a sum of Rs. 1,400,000 had been allocated for the year under review in respect of Concrete Blocks Project implemented by the Sabha over a number of years, any production had not been made and a totalled sum of Rs.3,008,298 as Rs. 2,707,464 for the purchase of 85951 concrete blocks and a sum of Rs. 300,834 for transport of those had been spent, to be utilized for 10 road Projects implemented by the Sabha while Concrete Blocks Production Machine had been abandoned and kept idle without being used for any work.

- (b.) While there are 07 Cemetery Grounds belong to Sabha, 12 such Cemetery Grounds claiming ownership by the Sabha had not been surveyed and vested in the Sabha after settlement. Adequate details relating to those Cemetery Grounds too were not available with the Sabha.

- (c.) The Fixed Assets Register of the Sabha had not been properly maintained having included the specified details.

3.2 Staff Loans

Loan balances of Rs. 25,200 in arrears due from three officers who were in service of the Sabha and retired or left on transfers had not been recovered even as at the date of audit.

3.3 Improper transactions

Although any information relating to the Case No. APL36/2007 in progress of inquiring in the Ratnapura High Court is not available with the Sabha; a sum of Rs. 25,000 had been paid as lawyer's fees to appear for that case during the year under review.

3.4 Foreign Travel Expenses

A sum of Rs. 98,000 had been paid out of the Sabha Fund to a private institution on behalf of a Member for a foreign tour organized by a private institution from 10 to 15 November 2014.

Following matters are observed.

- (a.) Although Incidental Allowance should be obtained after obtaining proper approval for leave in terms of Circular No. 01/2010/01 dated 11 October 2010 of the Secretary to Ministry of Finance and Planning, contrary to that Incidental Allowance of Rs. 39,750 had been obtained.
- (b.) Any correspondence containing particulars relating to the training programme were not furnished to audit.
- (c.) Although a report should be given within one month after end of the training, explaining the manner in which the knowledge obtained through the training to be applied in local utilization, such report had not been submitted.
- (d.) Although all expenses to be incurred and facilities for foreign training programmes should be born by the relevant Organization or Foreign Government or Foreign Institution in the event of selection of a Head, Deputy Head or Member of a Local Authority, the payments referred to above had been made disregarding those circular provisions.

3.5 Idle/Under-utilized Assets

Motor Grader and the Tipper Vehicle No. LK-9601 of Leyland Type had not been suitable for the requirements of the Sabha and roads had not been adequate to perform along the Sabha Roads and therefore had been retained in the Sabha ground without adequate utilization even as at the date of audit.

3.6 Contract Administration

An agreement for a sum of Rs. 98,000 had been entered into on 20 June 2014 on the basis of an estimate prepared by the Technical Officer for the Ayagama, Kambokkawa Water Project implemented out of provisions received under “One Job for One Village” Programme. At the physical inspection carried out on 13 May 2015, it was revealed that water was leaking from a hole of the concrete walls of concrete tank constructed and that there was seepage of water on the surface of the concrete walls due to non-use of Water Resistant.

Net Cover had been made using only one G.I pipe in the middle of the frame as a supporter without making the frame using G.I pipes according to the estimate. Accordingly that work had not been performed as per instruction given in the estimate. Net cover too had been temporarily held on the tank using wooden tapes, without taking action to hold that permanently.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary controls
- (c.) Revenue Administration
- (d.) Contract Administration