

Ambanganga Korale Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 24 June 2016 and the financial statements for the preceding year had been presented on 16 July 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 15 August 2016.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Ambanganga Korale Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters are observed

- (a) The value of 02 water schemes and a crematorium developed during the year 2015 amounted to Rs.600,000 and the value of furniture and fittings purchased for the library amounted to Rs.327,504. These had not been capitalized.
- (b) The value of 2 buildings belonging to the Sabha had not been assessed and brought to account.
- (c) The total fees of telecommunication towers of the previous years amounting to Rs.54,900 had been accounted as revenue of the year under review resulting in an overstatement of revenue of the year under review by a similar amount.
- (d) The capital aid and the capital expenditure of 2015 had been understated and overstated by Rs.105,918 and Rs.972,290 respectively.

- (e) The cost of the Dump truck vehicle and the crew cab vehicle obtained as donations in 2015 from the Provincial Council and the Ministry of Regional Development had not been correctly accounted for. An improper value of Rs.8,723,220 determined by a private vehicle dealer had been accounted for, as the value.

1.3.2 Accounts Receivable

The balances of 05 accounts receivable aggregated Rs.3,620,500. The balances of Rs.2,922,274 remaining unsettled for over 05 years had been included in this.

1.3.3 Accounts Payable

(a) The balances 05 accounts payable amounted to Rs.4,431,647. The balances of Rs.1,897,749 remaining unsettled for over 05 years had been included in this.

(b) Contributions to be remitted to the Local Government Pensions Fund amounted to Rs.813,670. This included the balance of Rs.626,974 existing for over 06 years.

1.3.4 Lack of Evidence for Audit

Evidence for transactions relating to 08 items of accounts totalling Rs.4,188,942 had not been furnished and as such these could not be satisfactorily vouched in audit.

1.3.5 Non – Compliance with Laws, Rules, Regulations etc.,

Action had not been taken in terms of Financial Regulation 571 of the Republic of Sri Lanka with regard to 12 lapsed deposits of Rs.272,984 existing for about 17 years.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.532,059 as against the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.303,652 showing an improvement in financial results of the year under review by Rs.835,711.

2.2 Revenue Administration

2.2.1 Performance in Collection of Revenue

The revenue billed from 07 water schemes of the Sabha upto 31 December 2015 amounted to Rs.829,395. The amount recoverable as at 31 December 2015 amounted to Rs.266,350. Of this, a

sum of Rs.81,161 was recoverable by 10 July 2016. The amount recoverable from 33 consumers to whom water supply had been disconnected for non payment of bills was Rs.40,525. Action had not been taken to recover this amount too.

2.2.2 Acreage Tax

The balances of arrears as at 31 December 2015 amounted to Rs.56,628.

2.2.3 Lease Rent

A balance of Rs.51,765 was due as at 31 December 2015 from the stalls given on lease. Of this, an arrears of lease rent amounting to Rs.13,980 continued to be recovered even by 10 July 2016.

2.2.4 Court Fines and Stamp Fees

The court fines and stamp fees recoverable as at 31 December 2015 amounted to Rs.176,632 and Rs.1,280,426 respectively. Of this, a sum of Rs.21,750 was recoverable by 10 July 2016 on account of court fines alone.

2.2.5 Surcharge

Surcharge amounting to Rs.69,800 was due as at 31 December 2015 with regard to the surcharge imposed during the previous year in terms of provisions of the Pradeshiya Sabha Act No.15 of 1987. Of this, a sum of Rs.60,300 was due by July 2016.

3. Operating Review

3.1 Evaluation of Performance

The following matters are observed.

- (a) The Development Project Plan such as, an economic centre, internal access road, construction of a vehicle park, renovation of the Metihakka playground and construction of a three wheeler park etc., proposed to be fulfilled on behalf of the Metihakka town under the Small Town Development Project through the Department of National Physical Planning coming under the Ministry of Construction, Engineering Services, Housing and Common Amenities, as appearing in the budget proposals of 2015 had not been implemented.
- (b) The Sabha had received a sum of Rs.1,000,000 from the Ministry of Provincial Councils and Regional Development on 14 December 2015 to implement 02 Projects during the year 2015 under the Strengthening of Pradeshiya Sabha Programme. But, the project had not been implemented even by July 2016.

3.2 Management Inefficiencies

- (a) The approved cadre of the Sabha was 12 and the number of vacancies were 19. The approved post of Revenue Inspector was vacant and as such the collection of revenue had become a very difficult task. Due to this, access to new avenues of revenue and recovery of the existing arrears had been affected.
- (b) The road labourers and sanitary labourers of the Sabha were not seen to be engaged in their duties. Due to the existence of vacancies and non approval of posts, sanitary labourers had to be assigned to water pumping stations. As a result, the work such as scavenging of roads and clearance of shrubs on either side of the road had not been carried out by the Sabha.

3.3 Operating Inefficiencies

Action had not been taken to recover Rs.336,000 for 112 water meters installed in 03 water schemes of the Sabha.

3.4 Irregular Transactions

The Sabha had paid Rs.24,407 as expenditure on travelling to a senior investigating officer of the Department of Local Government who had carried out disciplinary inquiries on behalf of the Pradeshiya Sabha. The officer concerned had presented 2 vouchers on 11 November 2015 and 30 December 2015 regarding an inquiry held on 03 November 2015 and had been paid Rs.2,440 twice, as expenditure on travelling and subsistence allowances.

4. Good Governance and Accountability

4.1 Budgetary Control

- (a) Subsequent to the transfer of provisions between revenue and expenditure items during the year under review, significant variances were observed between the budgeted and actual revenue and expenditure showing that the budget had not been utilized as an efficient instrument of management control and this was highlighted by the in ability to earn the estimated revenue of Rs.347,500 expected from 09 revenue items and the variances ranging from 43 to 97 per cent between the estimated and actual revenue of 07 revenue items.
- (b) None of the provision of Rs.835,160 made for 26 Objects had been utilized during the year and the variances between the net provision and the actual expenditure of 25 Objects ranged between 32 to 99 per cent.

4.2 Internal Audit

An internal audit method had not been adopted as required by Rule 5(7) of the 1988 Pradeshiya Sabha. (Finance and Administration)

4.3 Audit and Management Committees

Action had not been taken to establish Audit and Management Committees in terms of the Letter No.CPC/DLG/1/9/1/4 of 08 August 2014 of the Commissioner of Local Government.

4.4 Assets Management

Idle and Under Utilized Assets

An equipment and 03 vehicles belonging to the Sabha had not been utilized for effective activities for 01 to 04 years and remained idle in the premises of the Sabha. Meanwhile, action had not been taken to action on to take suitable steps and to dispose of, 04 vehicle which were not in running condition.

5. Systems and Controls

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

- (i) Accounting
- (ii) Budgetary Control
- (iii) Assets Management
- (iv) Human Resources Management
- (v) Debtors' and Creditors' Control