

Akurana Pradeshiya Sabha
Kandy District

01 Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 16 March 2017 while Financial Statements relating to the preceding year had been submitted on 28 March 2016.

1.2 Qualified 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 Akurana Pradeshiya Sabha as at 31 December 2016 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

Following deficiencies were observed.

- (a) While the amount of Rs.2,237,773 that had for develop the lands and buildings had not been capitalized, and the value of Rs.176,430 of machinery and equipments had not been capitalized.
- (b) An industrial debtor's balance of Rs.1,279,083 that had received within the year under review had been stated as receivable on the Financial Statements.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

While the total of industrial debtors balance of accounts receivable as at 31 December of the year under review amounted to Rs.7,789,600, a balance that had elapsed more than 01 year, amounting to Rs.2,490,115 had been included therein.

(b) Accounts Payable

While the total balance of 02 accounts payable balances as at 31 December of the year under review amounted to Rs. 21,963,431, the balances that had elapsed more than 01 year, amounting to Rs.1,329,047 and elapsed 3 years amounting Rs.50,000 had been included therein.

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

Following instances of non-compliance with laws, rules and regulations were observed during the audit.

Reference to the laws, rules and regulations	Non compliance
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(a) Section 126vii(f) of PradeshiyaSabha act no. 15 of 1987	A revenue amount of Rs.188,000 had not been recovered from the notice boards.
(b) Section (2)(b) of Financial Regulation 571 of Democratic Socialist Republic of Sri Lanka	Action had not been taken regarding 85 deposit worth of Rs.886,685 that had elapsed 02 years.
(c) Section 20(2) of part 4 (b) of the gazette no.520/7 and dated on 23 August 1988 that had published regarding the Local Government entities Act no 06 of 1952	24 meat shops had been followed on in the area of authority of the PradeshiyaSabha without following the referenced rules and regulations.

2. Financial Review

2.1 Financial Results

According to the Financial Statement presented, excess of revenue over recurrent expenditures of the Council for the year ended 31 December 2016 amounted to Rs.14,921,846 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.13,037,958. When compared with the preceding year, an increase of Rs. 1,883,888 was observed in the Financial Results for the year under review.

2.2 Analytical Financial Review

The influence of other donation amount of Rs.6,174,050 with the expenditures had been influenced for the increase of financial results.

2.3 Working Capital Management

The ratio between total of current assets and total of current liabilities was 2.5:1 and 2.1:1 in the year under review and the preceding year respectively.

2.4 Revenue Administration

2.4.1 Performance in Revenue Collection

Following matters are observed.

- (a) Although the merchant right of marketing the meat was concerned to Sabha, license had been issued for private met shops in the area of authority of the Sabha.
- (b) While the drum truck and backhoe machine that owned to the Sabha had received to the Sabha in the month of June 2014, actions had not been taken to improve the revenue from these resources.

2.4.2 Rates

While the balance of arrears rates was amounted to Rs.1,635,375 as at 01 January year under review, only the sum of Rs.728,122 had been recovered thereof. This was a percentage of 27 percent from the total arrears amount.

2.4.3 License Fees

Actions had not been taken to recover the revenue by making analyse in the beginning of the year under review regarding the licence fee.

2.4.4 Court Fines of Stamp Fees

A sum of Rs.1,042,661 on account of court fines and a sum of Rs.8,288,650 on account of stamp fees were due to be recovered as at 31 December 2016, from the Chief Secretary of The Provincial Council and other Authorities.

3 Operating Review

3.1 Performance Evaluation

The first floor of the PradeshiyaSabha office building that had square feet amount of 1000 had been remained idle without utilizing for earn any revenue.

3.2 Management Inefficiencies

Following matters are observed.

- (a) Although the Akurana common market complex with 35 stalls that established in the city of Akurana was constructed before 30 years, repairs and maintenances had not been carried out from the day of constructed. While the 4 stalls of this building had not been rent out and the 10 stalls that had rent out had been closed.
- (b) More less assessed rental had been charged from the 9 stalls in the Akurana mini market. However, it had been sub leased at a price of more than 90 percent than the rental that charged according to the physical auditing observation that occurred on 7 October 2016 relevant this stalls.

3.3 Operational Inefficiencies

Although the merchant right of marketing the meat should be leased, opportunity had been given for 24 private meat shops in the area of authority of the Sabha by charging a maximum license fees of Rs.3,333 and minimum Rs.1,670.

3.4 Idle/Underutilized Assets

While the 5 vehicles of the Pradeshia Sabha are not with the running condition and any action had not been taken to repair or to auction.

3.5 Uneconomic Transactions

A software system worth of Rs. 690,000 had been purchased by the Pradeshia Sabha considering as Government entity from Wayamba Development Authority without following the tender procedure hence this entity had did this project by making an agreement with an intermediate private entity with the aim of obtaining a profit ratio of 20 percent, this purchase was not occur as accrue maximum benefits to the Sabha.

3.6 Contracts Administration

Following matters are observed.

- (a) An amount of Rs.1,741,254 had been expended for develop the road of Thalakanda under the programme of develop the infrastructures of the provincial administration entities in the year 2016. While the selection of the contractor had not been occurred following conditions in according to the procurement procedure, tender board had not been appointed according to the instructions of the guideline manual of tender. Although the tender applications had been sent to the 13 tenders, the tenders had been presented by only one tendered. Although Rs.13,435 each had paid for 3 meter for concrete the channel under the work subject no.3. Although it had stated the bottom thickness as 10mm, hence it was 5mm in the physical test that occur on 23 March 2017, an over amount of Rs.15,041 had been paid for 32 meters of channel.
- (b) While the estimates had not been prepared after deducting the profit from the approved prices according to the section 4:1 of circular no.1/2016 of strengthening the pradeshia Sabha dated on 21 February 2016 for the industries under the allowances of strengthening the pradeshia Sabha of the year 2016, an amount of Rs.108,675 had been expended for paint the Sabha office exterior from the statement 3 of above circular.

3.7 Solid Waste Management

While the garbage that collected from the area of authority were not collected in completely, a garbage quantity about 5 tons had collected daily and it had moved to the Yalugahawela compost ground and fired imperishable garbage in little quantity on one side of same ground. While the channel system that removed the dirty water of this ground was closed with the earth slip of the Yalugahawela garbage ground hence the ground's repair were not do rightly until the day of 04th October 2016, the production of compost fertilizer had been faced for the situation of problematic.

4 Accountability and Good Governance

4.1 Budgetary Controls

Even after amendments of the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure as per particulars given below. Accordingly it was observed that, the budget had not been made use of as an effective tool of management. Following matters are observed in this regard.

- (a) Expenditures from 1 percent to 57 percent had been expended out of the estimated amount of 08 votes.

- (b) Although it had planned to improve the revenue generation from the project of compost production, actions had not been taken to recognize new investors to sell the compost.

4.2 Annual Procurement Plan

It had not been prepared a Procurement plan for the year under review.

4.3 Internal Audit

An adequate internal audit had not been taken place of the Sabha in the year under review.

05 Systems and Controls

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

- (a) Fixed assets
- (b) Accounting
- (c) Vehicle Administration
- (d) Revenue Administration
- (e) Creditors and Debtors
- (f) Contract Administration
- (g) Purchasing