

Ambalangoda Pradeshiya Sabha
Galle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 30 March 2017 and the financial statements for the preceding year had been presented on 30 March 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 23 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Ambalangoda Pradeshiya Sabha give a true and fair view of the financial position 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

The contributions payable to the Pensions Fund as at end of the year under review amounting to Rs.3,928,127 had not been brought to account.

1.3.2 Unreconciled Control Accounts

The differences observed between the balances of 08 items aggregating Rs.82,534,463 as appearing in the financial statements and the related subsidiary registers and reports aggregated Rs.30,428,802.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

- (a) Action had not been taken even by end of the year under review to settle the capital aid of Rs.37,007,692 receivable since 2014.
- (b) Although the contractors had made requests, the sum of Rs.35,967,234 brought forward as payable since 2014 had not been settled.

1.3.4 Lack of Evidence for Audit

Updated register of fixed assets aggregating Rs.144,839,179 and detailed schedules for balances of accounts amounting to Rs.4,095,766 had not been furnished and as such these could not be satisfactorily examined in audit.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non – compliance with laws, rules and regulations were observed in audit.

| Reference to Laws, Rules, Regulations etc., ----- | Non – compliance ----- |
|---|--|
| (a) Financial Regulations of the Republic of Sri Lanka ----- | |
| (i) Financial Regulation 104 | Investigations had not been carried out regarding losses and damages and the persons responsible had not been determined. |
| (ii) Financial Regulation 110 | Losses had not been entered in a register of losses and damages. |
| (iii) Financial Regulations 571 (1)(2) | Action had not been taken with regard to 68 deposit balances aggregating Rs.2,589,322 which had exceeded a period of 02 years. |
| (iv) Financial Regulations 1645-1646 | Daily running charts and monthly performance summaries of 13 vehicles of the Sabha had not been furnished for audit. |
| (b) Paragraph 02 of the Circular No.02/2015 dated 10 July 2015 of the Ministry of Finance | Action had not been taken to dispose of, or to repair and utilize 03 vehicles coasting Rs.399,400. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented to audit, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.18,771,710 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.10,331,101. A comparison with the preceding year shows an improvement in financial results of the year under review by Rs.8,440,609.

2.2 Working Capital Management

Minor improvement in the current and the quick ratios were observed during the year under review as compared with the previous years.

2.3 Revenue Administration

2.3.1 Acreage Tax

A minimum 03 per cent of Rs.6,093 had been recovered out of the total acreage tax of Rs.206,028 during the year. The balance of arrears as at end of the year under review amounted to Rs.199,935. The Sabha had not paid attention to recover the arrears in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.2 Rent of Stalls

The amount recoverable for the previous years and the year under review amounted to Rs.1,059,164. 96 per cent of these had been recovered during the year resulting in an arrears of Rs.42,070 as at end of the year under review.

2.3.3 Court Fines and Stamp Fees

Court fines of Rs.2,336,170 and stamp fees of Rs.13,824,886 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) The following matters were observed regarding staff management
 - (i) Action had not been taken to fill 05 vacancies in the approved cadre and to regularize 22 excesses in posts.
 - (ii) Two employees of the primary level had been assigned with the duties of Management Assistants and two labourers had been assigned with the duties of a driver and an electrician.
 - (iii) Action had not been taken to recover the loan balances of Rs.36,624 due from 11 employees who had vacated posts/ gone abroad. These remained unrecovered for over 05 years.
 - (iv) The sum of Rs.36,718 recoverable on behalf of no pay leave obtained by a lady medical officer of Meetiagoda Medical Centre during 2015 and 2016 had not been recovered.
- (b) The balances of 03 current accounts of the Sabha as at 31 December of the year under review aggregated Rs.6,994,907. But, action had not been taken to obtain additional revenue from interest by investing this amount.

- (c) Necessary action had not been taken in terms of Sections 134(1) and (2) of the Pradeshiya Sabha Act No.15 of 1987 to recover rates and taxes from places identified as places containing urban facilities.

3.2 Operating Inefficiencies

The following matters were observed.

- (a) Twenty tyres valued at Rs.558,990 purchased in December 2014 remained at the stores even by 31 December of the year under review.
- (b) A stone roller valued at Rs.660,000 and a galie bowser used for garbage management and 02 tractors had been kept away without running for 01 year and 02 years respectively.

3.3 Solid Waste Material Management

The daily collection of garbage in the town and 04 close by areas was 3.5 tons. The non degradable garbage had been disposed of, in a land of about 40 perches known as Delgahabedda and the degradable garbage had been utilized to manufacture 100 kilograms of fertilizer per week. It was observed that the non degradable garbage had been extensively dumped in the land causing bad smell and allowing room for flies and mosquitoes to multiply causing health hazards to the public.

4. Good Governance and Accountability

4.1 Budgetary Control

Savings aggregating Rs.8,246,673 in 05 items of expenditure, expenditure exceeding the limits in 03 items of expenditure amounting to Rs.27,892,830 and adverse variances aggregating Rs.288,167 in 02 items of revenue had been observed with regard to the budget for the year under review. Thus, it was observed that the budget had not been utilized as an efficient instrument of management control.

4.2 Internal Audit

Although an internal audit officer had been appointed in terms of Financial Regulations 133 and 134 and the circular of the Commissioner of Local Government (Southern Province) No.දපප/යන/01/න.ව.ලේ of 24 February 2014, adequate internal audit had not been carried out.

4.3 Implementation of Audit and Management Committees

Action had not been taken even by end of the year under review to establish Audit and Management Committees in terms of provisions in the Audit and Management Circular No. DMA/2009 (i) of 09 June 2009.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha by audit queries from time to time. Special attention is needed in respect of the following areas of systems and controls.

| System ----- | Main Deficiency in the System ----- |
|------------------------|---|
| (a) Accounting | <ul style="list-style-type: none">(i) Balances of accounts carried forward from previous years had not been settled.(ii) The variations between the balances in the financial statements and the related schedules had not been rectified.(iii) There were instances where the balances of accounts had been overstated and understated. |
| (b) Fixed assets | <ul style="list-style-type: none">(i) The register of fixed assets had not been maintained in such a manner so as to show the details of assets according to their categories.(ii) A verification of land and buildings of the Sabha had not been carried out.(iii) Action had not been taken to obtain the library books which had not been returned or to recover the loss.(iv) A register of losses and damages had not been maintained by the Sabha.(v) The Ayurveda dispensary and the sub office of the Sabha had not been properly kept. |
| (c) Staff Management | <ul style="list-style-type: none">(i) Action had not been taken to fill the vacancies and to regularize the excess cadre.(ii) Action had not been taken to recover the loan balances.(iii) Duties had not been properly assigned.(iv) Employees of the ayurveda dispensary and the sub office had not been assigned for the respective purposes. |

(d) Collection of Revenue

- (i) Proper method had not been adopted to recover arrears of revenue.
- (ii) There were delays in commencing proper steps to recover rates and taxes.
- (iii) Action had not been taken to identify areas from which acreage tax could be recovered.
- (iv) Action had not been taken to recover stamp fees and court fines in an updated manner.
- (v) Action had not been taken to invest excess money so as to increase the revenue.

(e) Control over Vehicles

- (i) A register of repairs to / maintenance of vehicles had not been maintained.
- (ii) Daily running charts and monthly performance summaries had not been prepared.
- (iii) Consumption of fuel by vehicles had not been tested.
- (iv) Action had not been taken to repair/dispose of inoperative vehicles.
- (v) A register had not been maintained for issue of tyres.