

Ambalamtota Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 28 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on 31 August 2018

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 Ambalamtota Pradeshiya Sabha as at 31 December 2017 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 accounting deficiencies were observed in audit.

- (a) A sum of Rs. 8,000,000 had been erroneously debited to the Accumulated fund having credited that amount to the Capital Grants Account through Journal entry No. 91. Due to that, revenue for the year had been overstated and the Accumulated Fund balance had been understated to the extent of that value.
- (b) Provision for creditors had not been made for expenditure incurred during the year 2018 amounting to Rs. 80,319 in respect of the year under review.
- (c) the sum of Rs. 100,335 spent for making the front office of the Sabha during the year under review had not been capitalized
- (d) Debtors provision had not been made for Rs. 22,625 receivable on account of stamp fees relevant to the year 2010

1.3.2 Non-reconciled Accounts

Total of disparities observed between balances 02 items of accounts included in the financial statements and balances shown in the relevant books and schedules was Rs.1,103,289.

1.3.3 Accounts Receivable and Payable

- (a) Accounts Receivable

- (i) Cases filed for tender lease income amounting to Rs. 1,427,942 relevant to the years 2007, 2008 and 2010 were pending to be recovered.
- (ii) According to age analysis of debtors, out of the value of Rs. 57,337,995, action had not been taken to recover vehicle hire charges amounting to Rs. 1,3893,729 and Development Grants. amounting to Rs65,296 for the year 2014.

(b) Accounts Payable

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The contribution of. Rs 3,617,121. Payable to the Pension Department had not been paid even up to the end of the year under review.

1.3.4 Lack of necessary evidence for Audit

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Four items of accounts totaling Rs. 102,479,019 could not be satisfactorily vouched in audit due to non-submission of required information for audit.

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

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Action in terms of Circular No. 02/2015 dated 10 July 2015 of the Ministry of Finance had not been taken with regard to 06 vehicles in condemned condition belong to the Sabha.

**2. Financial Review**

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**2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 13,693,491 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 21,017,439.

**2.2 Revenue Administration**

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**2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue**

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Information as furnished relating to estimated revenue, revenue billed, revenue collected, arrears of revenue for the year under review and the preceding year are shown below.

Source of Revenue	Estimated Revenue	2017			2016			Arrears as at 31 December
		Revenue Billed	Revenue Collected	Arrear as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	
		Rs.	Rs	Rs	Rs.	Rs.	Rs	
i Rates and Taxes	5,271,600	4,882,392	6,072,916	4,022,321	3,651,000	3,496,717	4,040,313	5,058,853
ii Rent	17,075,700	15,775,010	17,825,633	3,179,316	18,574,700	16,045,804	13,835,074	5,605,037
iii License Fees	1,592,000	1,669,597	1,381,067	529,680	2,619,100	2,277,937	2,344,687	520,260
iv Other Revenue	127,046,500	105,484,322	57,025,583	55,780,549	153,888,100	84,029,867	61,328,370	29,849,403
Total	150,985,800	127,811,321	82,305,199	63,511,866	178,732,900	05,850,325	81,548,444	41,033,553

## 2.2.2 Performance in Revenue Collection

While Revenue Billed during the year under review had been Rs. 127,811,321 out of that, a sum of Rs. 82,305,199 had been collected. Arrears of revenue at the end of the preceding year amounting to Rs. 41,033,553 had increased to Rs. 63,511,866 at the end of the year under review.

## 2.2.3 Rates

While an arrears amount of Rs. 879,864 due from 59 units with balances exceeding Rs.5,000 had been included in the arrears rates amounting to Rs. 3,961,136 as at 31 December 2017, out of that a sum of Rs. 146,482 had been recovered by June 2018. Action in terms of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken with regard to rates in arrears.

## 2.2.4 Rent

Following matters were observed.

- While a sum of Rs. 145,210 was outstanding to be recovered from 91 stalls belong to the Sabha as at 31 December 2017, out of that a sum of Rs. 97,360 had been recovered up to June 2018.

- (b) According to paragraph 05 in Circular No. SLG/CLG/2010/01 dated 27 December 2010, stalls agreements should be updated once in every three years. However, that requirement had not been complied with.

#### 2.2.5 Other Revenue

##### ----- Advertisement Boards Charges -----

Although advertisements Boards had been displayed in the area of authority of the Sabha by various parties without compliance with provisions in Local Government By-law 39 published in the Extraordinary Gazette Notification No. 520/7 dated 23 August 1988, Sabha had not taken action in terms of provisions in By-law 39 (15), (16). Advertisements Boards Charges amounting to Rs. 512,830 were due to be recovered as at the end of the year under review.

#### 2,2,6 Court Fines and Stamp Fees Fair

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Court Fines amounting to Rs. 11,568,592 and Stamp Fees amounting to Rs. 15,249,960 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017. Out of those Courts Fines amounting to Rs. 6,000,000 had been received in May 2018.

### 3. Operating Review

#### 3.1 Performance

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Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 are shown below.

#### (a) Works not performed

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- I. Out of 40 works to be fulfilled according to the budget and the action plan only 04 works had been fulfilled.
  - II. A sum of Rs. 4,450,339 had been spent for eight works not included in the budget and the action plan.

#### (b) Delays in Fulfillment of Works

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- I. Ten works which should have been completed before end of the year under review had not been completed even as at 11 January 2018.

II. Although provision amounting to Rs. 998,000 had been received for 06 works approved under Provincial Council Members provisions for 2017, action had not been taken at least to enter into an agreement even up to 11 January 2018..

(c) Sustainable Development Targets  
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Long term plans for up-lifting living condition and health of the people in the area of authority of the Sabha through global index agenda 2030, targeting sustainable development objectives, had not been prepared by the Sabha.

3.2 Human Resources Management  
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- (a) There was an excess of 10 persons relevant to 03 posts and vacancies of 13 persons relevant to 08 posts in the approved cadre of the Sabha as at 31 December of the year under review.
- (b) Sixteen sanitary and field laborers had been assigned duties other than the duties relevant to their posts.
- (c) Action had not been taken to recover advances amounting to Rs.87,169 due from 03 employees who had been dismissed from the Sabha service or vacated their posts.

3.3 Assets Management  
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3.3.1 Assets not vested  
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- (a) Work relevant to transfer of legal ownership of 13 lands costing Rs.6,240,000 and 81 buildings costing Rs. 33,826,187 used by the Sabha had not been finalised even as at 11 January 2018.

3.3.2 Idle Assets  
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Concrete Mixing Machine belong to the Sabha had been kept idle without being used for earning income.

3.4 Procurements  
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3.4.1 Annual Procurement Plan  
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A Procurement Plan for the year under review had not been prepared by the Sabha.

3.4.2 Contracts Administration  
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- (a) An overpayment totaling Rs. 75,642 had been made as the physical quantity of work performed had been less than the quantity of work performed shown in the payment reports relating to 04 road constructions carried out during the year under review from the provisions made available from Ministry of Provincial Councils and Local Government and the Sabha Fund.

- (b) Although a sum of Rs. 211,752 had been shown in the payments reports for supplying gravel for 09 works implemented during the year under review from the provisions made available from Ministry of Provincial Councils and Local Government and the Sabha Fund, shoulders had not been compacted by applying gravel.

4 Accountability and Good Governance  
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4.1 Budgetary Control  
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Material variances between the budget for the year under review and the actual revenue and expenditure were observed as shown below.

- (a) While the adverse varaince under 05 revenue items had been Rs.21,562,178 those values were in a range between 10 percent and 33 percent.
- (b) While the total savings of 05 item of expenditure was Rs. 32,115,971, those values were in a range from 14 percent to 61 percent.
- (c) The entire provision totaling Rs. 3,400,000 provided for 18 Expenditure Items with provisions exceeding Rs. 10,000 in the budget had not been utilized.

4.2 Audit and Management Committees  
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Although 04 meetings of the Audit and Management Committees at the Rate of one meeting per quarter should be conducted annually in terms of Management Audit Circular No. DMA/2009(1) dated 09 June 2009; only 3 meetings had been conducted for the year under review.

5 Systems and Control  
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Deficiencies observed in audit were brought to the attention of the Sabha from time to time. Special attention should be made in respect of following areas of systems and controls.

System -----	Deficiency -----
(a) Accounting	I. Instances of omission of account balances, under and over statements in accounting. II. Instances non-capitalization of fixed assets.
(b) Revenue Administration	I. Low level of recovery with regard to rates in arrears. II. Instances of restoration of services without recovering arrears. III. Non-identification of new revenue generating sources.

- (c) Fixed Assets Control
  - I. Lack of codes or classification to facilitate identification. of fixed assets.
  - II. Failure to take action for vesting Lands and buildings
  
- (d) Staff Management
  - I. Non-filling vacant posts and.
  - II. non-regularizing excess posts.
  - III. Assignment of duties to officers not relevant to their posts
  
- (e) Budgetary Control
  - I. Preparation of estimates without making a proper study and evaluation,
  - II. Lack of evaluation and follow-up action to achieve budgeted revenue and expenditure targets.
  - III. Entire savings of provisions under 18 items of expenditure