

**Ambagamuwa Pradeshiya Sabha**  
**NuwaraEliya District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Auditor General's Report relating to those financial statements had been sent to the Chairman of the Sabha on 17 September 2018.

**1.2 Qualified Opinion**  
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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 Ambagamuwa Pradeshiya Sabha 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**  
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**1.3.1 Accounting Deficiencies**  
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- (a) In order to rectify the inclusion of a Duplo Machine worth Rs.321,900 as fixed assets under office equipment and under the general stores, instead of debiting the accumulated fund and crediting the Stores Stock Account by that amount, the Revenue Contribution to Capital Input Account had been debited and Stores Stock Account had been credited. As such, the Revenue Contribution to Capital Input Account and the Accumulated Fund had been understated and overstated by that amount respectively in the financial statements.
- (b) In order to rectify the overstating Rates and tax revenue of the year under review by Rs.299,056, the Accumulated Fund Account should have been debited and Debtors Account should have been credited. Nevertheless, Rates and Acreage Tax Revenue Account had been debited and Accumulated Fund Account had been credited. As such, debtors and Accumulated Fund had been overstated by that amount.
- (c) Although it had been expected to award a Laptop to a school during the year 2015 using the financial provisions of the Ministry of Estate Infrastructure Development, without being awarded the Laptop, a sum of Rs. 97,850 had been stated under the debtors and creditors.
- (d) A plot of land of 1 Rood and 33 Perches in extent out of the land of 2 acres in extent belonging to the Office and included in the accounts at a value of Rs.17,000, had been sold to the National Water Supply and Drainage Board. Nevertheless, without carrying out reassessment on the remaining portion of the land, it had been shown in the financial statements by considering that the entire land was owned by the Sabha.

### 1.3.2 Non-reconciled Accounts

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According to the financial statements, there were 58 hand carts worth Rs.734,370 belonging to the Saba as at 31 December of the year under review and the actual number of hand carts stood at 10. Accordingly, a difference of 48 hand carts was observed.

### 1.3.3 Accounts Receivable and Payable

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#### (a) Accounts Receivable

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Action had not been taken to recover the value of balances of 2 accounts totaled Rs.1,032,291, receivable as at 31 December of the year under review, that had elapsed a period ranging from 01 year to 29 years.

#### (b) Accounts Payable

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Action had not been taken to settle the balances of 2 accounts totaled Rs.26,578,270 payable as at 31 December of the year under review, that had elapsed a period ranging from 01 year to 6 years.

### 1.3.4 Lack of Documentary Evidence for Audit

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Out of 40 lands, comprising 34 Acres 02 Roods and 15 Perches in extent shown at a value of Rs.123,960,666 in the financial statements prepared as at 31 December of the year under review, deeds relating to 23 lands of 19 Acres 02 Roods and 05.78 Perches worth Rs.91,374,000 had not been furnished to Audit.

### 1.3.5 Non-compliance

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

#### Reference to Laws, Rules and Regulations

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#### Non-compliance

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(a) Section 5.6 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Circular No.K.887 dated 05 January 1987 of the Secretary to the Ministry of Home Affairs.

In the recovery of economic rents for 09 Governments homes belonging to the Sabha, a report from the Chief Assessor and the approval of the Secretary to the Ministry had not been obtained.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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Financial Regulation 1646

Running Charts of 03 vehicles belonging to the Sabha relating to various months from February to December 2017 had not been furnished to Audit. During the period in which the Running Charts had not been so furnished, a sum of Rs.786,767 had been incurred for fuel.

(c) Public Administration Circular No.30/2016 dated 29 December 2016.

Fuel consumption of 10 vehicles belonging to the Sabha had not been tested during the year under review.

**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.14,899,898 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.9,910,676.

**2.2 Revenue Administration**

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

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Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, relating to the year under review and the preceding year, is given below. Nevertheless, it was observed that there were differences when comparing this information with the information stated in the financial statements.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	18,290,000	9,142,036	8,659,810	5,256,227	10,496,000	8,481,074	8,493,943	5,190,002
Rents	11,094,000	10,718,850	9,088,550	5,033,982	11,515,000	9,594,140	7,997,835	1,807,377
Licence Fees	6,200,000	3,506,963	3,535,163	182,421	3,800,000	3,886,775	3,886,775	182,421
Other Revenue	10,300,000	-	3,693,355	-	14,900,000	20,553,386	21,870,853	10,616,557
<b>Total</b>	<b>45,884,000</b>	<b>23,367,849</b>	<b>24,976,878</b>	<b>10,472,630</b>	<b>40,711,000</b>	<b>42,515,375</b>	<b>42,249,406</b>	<b>17,796,357</b>

### 2.2.2 Rates and Taxes

Out of the revenue of Rates amounting to Rs. 10,384,651 comprising Rs.3,551,378 existed as at 01 January of the year under review and Rs.6,833,273 recoverable as billing of the year, a sum of Rs.3,579,491 remained outstanding as at 31 December of the year under review. This Rates in arrears included Rs.523,160 relating to 46 properties and due to the reasons such as inability to recognize those properties, existence of issues regarding the owners and various other issues, those had not been settled.

### 2.2.3 Rents

Rents in arrears totalling Rs.1,955,155 recoverable relating to 20 properties given on rent upon tenders from the year 2003 to 2016 had not been recovered even in the year under review.

## **2.24 Other Revenue**

### **Outstanding Water Charges**

Out of the water charges revenue of Rs.2,466,497 recoverable as at 01 January of the year under review, a sum of Rs.1,478,275 remained in arrears as at 31 December of the year under review. This arrears included the arrears relating to the customers who had not paid water charger for over a period of 6 years and the amount due from such 110 customers amounted to Rs.749,173

## **2.2.5 Court Fines and Stamp Fees**

The court fines and stamp fees receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.2,454,247 and Rs.8,454,613 respectively.

## **3. Operating Review**

### **3.1 Performance**

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

#### **(a) Solid Waste Management**

The following matters were observed on the waste management centre maintained at the RecIn arton area for recycling the wastes collected by the Sabha.

- (i) About 12,000 kilograms of manufactured carbonic fertilizer had been stored , whereas arrangements had not been made to sell those fertilizer.
- (ii) Since non-degradable matters contained in the wastes brought to the Centre had been covered with soil and some waste had been irregularly disposed of at the premises of the Centre, water sources of the area had been contaminated.

#### **(b) Sustainable Development Targets**

Necessary activities for the achievement of sustainable development goals had not been initiated during the year under review.

### **3.2 Management Inefficiencies**

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- (a) It had been informed by the Gazette No.1997 dated 09 December 2016 that business tax would be recovered from the small scale power stations, private telecommunication, radio and television towers for the year 2017 according to their annual value. Nevertheless, no charges whatsoever had been recovered from 35 small hydropower stations and 14 transmission towers identified in the area and by-lows, as well, had not been passed for the recovery of those charges.
- (b) An advance of Rs.783,913 granted for a water project had not been reimbursed from the Central Provincial Agriculture Ministry.

### **3.3 Human Resources Management**

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The following observations are made.

- (a) Cadre Vacancies  
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Thirty two vacancies existed in 09 posts of the Sabha as at 31 December of the year under review had not been filled.
- (b) Employees' Loan  
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The loan balance that remained recoverable from 19 officers of the Sabha over a period ranging from 01 year to 07 years amounted to Rs.594,323.

### **3.4 Operating Inefficiencies**

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- (a) Water Supply Services  
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  - (i) The total number of water customers of the Sabha was 526 of and monthly fixed charge of Rs.200 had been recovered from 269 of the above customers who had consumed water without being fixed water meters. As a result, the Sabha had been deprived of the opportunity to earn more revenue while the customers had been deprived of the opportunity to use water economically.
  - (ii) In the supply of new water connections, although the Sabha had charged money inclusive of the charges for water meters, water meters had not been fixed.
  - (iii) In addition to the estimate prepared in the supply of new water connections, a sum of Rs.2,400 had been recovered as annual tax. Nevertheless, action had not been taken to deduct the above sum from the water charges of the customers.

(b) Assessment of Properties  
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In terms of the Circular No.1988/22 dated 17 May 1988 of the Commissioner of Local Government, properties in the area relating to which the Rates are recovered should be reassessed at least once in 05 years. Nevertheless, properties of the Sabha had not been reassessed after the year 2010.

(c) Lease of Properties  
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In terms of the conditions specified in the agreement entered into with the tenderers in leasing out the properties of the Sabha under the annual tender procedure, rents had not been recovered on due dates and rents thus not recovered according to the agreements relating to 03 properties amounted to Rs.2,299,166. Action had not been taken to initiate legal actions against the lessees who had defaulted the payment of rents.

**3.5 Assets Management**  
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Idle/ Underutilized Assets  
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A motor car and two motor bicycles of the Sabha had been removed from using for over a period of 03 years and action had not been taken to repair and use them or dispose of those items.

**3.6 Identified Losses**  
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- (a) Due to failure in renewing revenue licences on due dates, fines of Rs.8,500 had been paid in respect of 04 motor vehicles of the Sabha from the funds of the Sabha.
- (b) It had been recognized in the Board of Survey carried out relating to the year 2016 that 1696 books valued at Rs.152,789 of 03 libraries of the Sabha had been misplaced. Nevertheless, no action whatsoever had been taken thereon.
- (c) In the payment of money for the construction of Bharathee Early Childhood Development Centre, a sum of Rs.8,820 had been overpaid by including excess workload in the BOQ and the Bill exceeding the actual workload completed.
- (d) In the payment of money for the construction of Fair Stars Early Childhood Development Centre, a sum of Rs.5,437 had been overpaid by including excess workload in the BOQ and the Bill exceeding the actual workload completed.
- (e) In making payment for the construction of the net fence around an Early Childhood Development Centre, a sum of Rs.5,437 had been overpaid by including excess workload in the BOQ and the Bill exceeding the actual workload completed.

### 3.7 Contract Administration

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In the inspection of the construction of Early Childhood Development Centre, various deficiencies such as not being complied with the widths of the valance boards with the due standards, not properly applied paints on the valance boards, not properly fixed the valance boards to the rafters, not properly fixed the pipes for draining water and deficiencies in the preparation of windows the windows could be observed.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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#### Implementation of Budget Proposals

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There were instances where only a certain amount of the financial provisions made for some projects included in the Budget had been utilized.

<u>Project</u>	<u>Financial</u> <u>Allocated</u>	<u>Provision</u>	<u>Provision not utilized</u>
	Rs.		Rs.
(i) Purchase of equipment for the Head Office and Sub-Offices	1,000,000		430,750
(ii) Purchase of books for the libraries of the Sabha	750,000		585,302
			<u>1,106,052</u>

### 4.2 Audit and Management Committees

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Only two Audit and Management Committees had been conducted during the year under review.

### 4.3 Unanswered Audit Queries

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Replies for 02 audit queries issued in the year under review had not been given.

## 5. Systems and Controls

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Deficiencies observed at the audit test check were brought to the notice of the Sabha from time to time. Special attention of the Sabha is needed in the following areas of systems and controls.



Systems

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Accounting

Debtors/Creditors Control

Staff Administration

Control over Project/Contract

Deficiencies

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Failure in maintaining the Account books and schedules in an updated manner.

Failure in settling balances.

Failure in filling vacancies

Lack of adequate supervision

Making payments exceeding the works completed.