

# Ayagama Pradeshiya Sabha

## Ratnapura District

### 1. Financial Statements

#### 1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 28 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 28 May 2019.

#### 1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Ayagama Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.3 Basis for Qualified Opinion

Audit observation	Recommendation	Comment of the Accounting Officer
(a) Purchasing of supplies and equipment for the year under review had been accounted Rs. 500,975 less.	Accounts should be corrected by making the necessary adjustments.	Accounts will be setup using the correct accounting system from 2019 onwards.
(b) The fuel allowance of the members for the year under review had been accounted Rs. 22,500 less.	Accounts should be corrected by making the necessary adjustments.	Action will be taken by adjustment to the Accumulation Fund to correct the error occurred on not accounting on accrual basis.
(c) Arrears of salary reimbursement revenue had been accounted Rs. 44,530 less.	Accounts should be corrected by making the necessary adjustments.	When the account for the year 2019 is prepared, noted to made adjustment.
(d) At the end of the year under review, arrears rent income of Rs. 157,300 had not been accounted.	Accounts should be corrected by making the necessary adjustments.	Action will be taken to correct non accounting shop rent deficit in preparation of Accounts of 2019.
(e) Though, court fines and stamp fees had been reduced by Rs.1,200,000 advances payable to the Chief Ministry, that value had not been adjusted to the advance account.	Accounts should be corrected by making the necessary adjustments.	When the account for the year 2019 is prepared, noted to made adjustment.
(f) Stamp fees Receivable income for the year under review and the previous two years had been accounted to Rs. 1,709,954 less.	Accounts should be corrected by making the necessary adjustments.	Stamp fees income is recognized as estimated income and if there are excessive provision and deficits provision to this income, they will

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|     |                                                                                                 |                                                                   | be identified and corrected the balances.                                                           |
| (g) | For accrued expences Rs. 167,501 in the year under review creditor provision had not been made. | Accounts should be corrected by making the necessary adjustments. | In preparation the accounts for year 2019, all creditors will be identified and prepare accounts.   |
| (h) | For 2018 audit fees in two cases Rs.150,000 and Rs. 200,000 creditor provisions had been made.  | Adjustments should be made for excess allocations.                | Steps will be taken to correct the accounts making adjustments under excess provision in year 2019. |

## 1.4 Non-compliance

### Non-compliance with laws, rules, regulations and management decisions

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Steps had not been taken regarding lapsed deposits of Rs. 1,287,658 for the period from 2011 to 2016.	Action should be taken as per financial regulations regarding lapsed deposits.	Although, VAT / NBT money was sent to the Inland Revenue Department They had not removed from the depository register. Action will be taken to clear this money.
(b) Section 3.1 of Public Administration circular No. 30/2016 dated 29th December 2016	Fuel Consumption testing of five vehicles owned by the council had not been carried out.	Fuel Consumption testing of all vehicles owned by the council should be carried out as per circulars.	Fuel combustion testing will be carried out in the future according to the circulars.

## 2. Financial Review

### 2.1 Financial results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.1,772,038 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.2,124,181.

## 2.2 Revenue Administration

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

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 <sup>st</sup>	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 <sup>st</sup>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	658,000	1,233,134	1,014,333	193,606	626,300	848,489	871,840	149,210
(ii) Rent	6,221,170	4,656,723	4,512,532	147,376	3,974,775	4,133,380	4,142,544	3,240,504
(iii) License fee	286,410	321,511	264,971	3,950	208,360	330,977	309,567	-
(iv) Other Revenue	3,849,450	5,057,487	6,368,402	7,040,838	1,677,200	5,509,458	2,022,974	8,408,065

### 2.2.2 Rates and Taxes

Audit observation	Recommendation	Comment of the Accounting Officer
(a) The outstanding balance due by 105 Assessment Units at the end of the year under review was Rs. 45,687.	Arrears of assessment must be charged urgently.	Action will be taken to recover the arrears.
(b) At the end of the year under review in the outstanding acreage tax Rs. 136,621 was included Rs. 29,933 which is to be charged by 111 units older than 5 years.	Action should be taken to recover the outstanding acreage tax.	Action will be taken to recover the arrears.
(c) The arrears of water charges for 10 water projects implemented by the council were Rs. 206,563. From that amount Rs. 133,984 has been in arrears for more than six months.	Action should be taken to recover the arrears of water taxes.	Action will be taken to recover the arrears

### 2.2.3 License fee

Audit observation	Recommendation	Comment of the Accounting Officer
(a) Trade licenses had not been issued to 180 firms that paid fees for obtaining trade licenses for the year under review.	License should be issued to all firms to be obtain licenses in compliance with relevant regulations.	Action will be taken to issue Trade Licenses to all Organizations in 2019.

- (b) In accordance with the regulations imposed under National Environmental Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No 53 of 2000, annual survey to identify organizations that have not obtained Environment Protection License or no other formal system had been followed. As four cement bricks and concrete production organizations have not obtained license, revenue of Rs. 17,600 had been lost.
- A systematic survey should be conducted to identify institutions that have not obtained environmental license and action should be taken to issue licenses properly.
- It has been planned to conduct a survey to identify the places to be obtained the Environmental Licenses on May 07, 2019 covering the entire area. Letters have been sent to the concrete manufacturing companies identified in auditing to obtain licenses.

#### 2.2.4 Court fines and stamp fees

Audit observation	Recommendation	Comment of the Accounting Officer
The court fines of the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018 amounted to Rs. 1,924,333. Stamp fees receivable had not been identified even by January 2019.	Fines and stamp fees receivable should be identified and recovered.	Answers had not been given.

### 3. Operational review

#### 3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

##### (a) Non-receipt of expected benefits

Audit observation	Recommendation	Comment of the Accounting Officer
Though due to the sudden disaster in 2017, the upper floor of the bus stand had been given to the Ayagama Police Station for a period of six months on the basis of assessed rent the building had not been returned to the council after the deadline. For the year 2017, the total to be	The relevant rental arrears should be charged.	In respect of the above, the arrears for 2017 have not yet been paid and a report from the Building Research Institute has been requested to move the Ayagama Police Station to its former location. Until the report is received, the General Assembly has decided to

charged for the rent for the building and electricity bill was Rs. 114,300.

give the building up to the previous monthly rent.

**(b) Solid waste management**  
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Audit observation -----	Recommendation -----	Comment of the Accounting Officer -----
Although, the garbage was dumped at the place where Kalawana Pradeshiya Sabha, garbage dumping place a formal waste management program had not been planned and implemented.	A formal solid waste management program should be planned and implemented.	There is no suitable land for building a compost yard in the Pradeshiya Sabha area. So there is a problem with that. The non-decaying garbage currently collected in the council area is stored at the Ayagama weekly fair and the decaying garbage is disposed properly at the garbage disposal site of Kalawana.

**(c) Sustainable Development Goals**  
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Audit observation -----	Recommendation -----	Comment of the Accounting Officer -----
Although, the Council is aware of the 2030 Agenda for Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people in the council area have not yet been prepared by December 2018.	Long term plans should be formulated and implemented.	Necessary steps will be taken to prepare those plans.

**3.2 Human Resource Management**  
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Audit observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) There were 08 vacancies related to 05 posts and the post of Secretary, Development Officer and Technical Officer (Civil) were included in the staff.	Action should be taken to fill the vacancies.	The above 8 posts have been vacated due to no-appointment have been given in the post of Secretary, Development Officer, Technical Officer (Civil), Heavy Vehicle Operator and Preschool Teacher up to now.
(b) The Council had failed to recover the outstanding loan balance of Rs. 25,200 related to three employees	Action should be taken to settle the outstanding debts balance.	Action is being taken to settle the relevant debt balances.

who have abandoned the service and transferred as at 31 December 2018.

#### 4. Accountability and good governance

##### 4.1 Budgetary Control

	Audit observation	Recommendation	Comment of the Accounting Officer
(a)	Total provision of Rs. 718,500 related to six subjects in the year under review had been remained.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	These provisions have been left due to the inability to implement certain planed programs.
(b)	With respect to 16 subjects in the year under review the percentage remained in the range of 62 to 99 percent out of the total of Rs. 23,622,700 total provision.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Though, the provisions allocated considering the previous year's expenditure, the remaining are due to not spending as much as expected.

##### 4.2 Audit and Management Committees

	Audit observation	Recommendation	Comment of the Accounting Officer
	Steps have not been taken to establish and implement the Audit and Management Committees.	Establishment and implementation of Audit and Management Committees should be done.	Audit and Management Committee Meeting has been held on March 26, 2019.

##### 4.3 Unresolved observations

	Audit observation	Recommendation	Comment of the Accounting Officer
	Three machines owned by the council worth of Rs. 845,000 and worth unidentified concrete mixer have been inactive for a long time.	If it is to be repaired, the machinery must be repaired or disposed properly.	Action will be taken to repair and or else auction the machines.