

Ayagama Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 28 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 30 June 2020.

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 2019 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	Comments of the Accounting Officer
	-----	-----	-----
(a)	The adjustments had not been made for under provisions of stamp fees of Rs.3,990,823 relating to the preceding years.	The under provisions of stamp fees should be adjusted by the accumulated fund.	The revenue of stamp fees will be identified as estimated revenue and action will be taken to identify the under provisions and to rectify the balances.
(b)	A sum of Rs.1,900,000 deducted from stamp fees for payable advances had not been brought to account.	Revenue and expenditure and other transactions relating to the year should be identified clearly and should be prepared the financial statements.	Action will be taken to rectify in preparing accounts for the year 2020.
(c)	Accrued expenses of Rs.130,409 relating to the year under review had not been brought to account.	The expenditure relating to the year should be correctly identified and brought to account.	Action will be taken to rectify in preparing accounts for the year 2020.
(d)	Non-current assets totalling Rs.57,278 purchased during the year under review had not been capitalized.	All fixed assets purchased during the year should be capitalized.	Action will be taken to rectify in preparing accounts for the year 2020.

- | | | | |
|-----|---|---|---|
| (e) | The provisions for audit fees had not been made for the year under review. | The provisions should be made for the expenditure payable relating to the year. | Action will be taken to rectify in preparing accounts for the year 2020. |
| (f) | A difference of Rs.3,348,398 was shown between the balances as per the financial statements relating to 11 items of accounts and as per subsidiary registers. | The values shown in the financial statements should be reconciled with the subsidiary registers. | Action will be taken to rectify in preparing accounts for the year 2020. |
| (g) | Adequate evidence for three items of accounts totalling Rs.1,079,017 brought forward prior to the year 2015 were not made available for audit. | The subsidiary registers should be furnished to confirm the balances shown in the financial statements. | Action will be taken to rectify the account balances in preparing accounts for the year 2020. |

1.4 Non-compliances

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	Comments of the Accounting Officer
-----	-----	-----	-----
(a) Public Administration Circulars Circular No.30/2016 dated 29 December 2016. (i) Paragraph 3.1	Fuel consumption tests of 05 motor vehicles of the Sabha had not been carried out.	Fuel consumption tests should be conducted in terms of provisions of Circulars.	The fuel consumption tests of 04 motor vehicles are being carried out at present and as it is uneasy to take 04 tractors backhoe loader, and the motor grader to the filling station to fill fuel it will be difficult to carry out fuel consumption tests.
(ii) Circular No. 02/2018 dated 24 January	The performance agreements that	Action should be taken in terms of	Noted down to take action in terms of the

2018. should be signed annually for the staff had not been signed even by the end of the year under review. the Provisions of Public Administration Circulars. Circular No. 02/2018 from the year 2020.
- (b) National Budget Circular No.02/2017 dated 25 July 2017. Output indicators and main performance indicators relating to the output of the institutional role had not been identified. The relevant indicators should be identified in terms of the provisions of circulars. Sustainable Development Goals relating to the Sabha were not identified when preparing the budget for the year 2019.
- (c) Local Government Circular No.2018/e – Local Government 01 dated 19 July 2018. The Sabha had failed to establish required facilities for providing opportunities to applying services through internet to the client. Action should be taken in terms of the Provisions of the Circulars and should be provided required facilities to the client. The facilities to obtain information for the clients had been provided by the web site of the Sabha and action will be taken in future to establish other facilities.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2019 amounted to Rs.1,972,118 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.1,772,039.

2.2 Revenue Administration

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

Source of Revenue	<u>2019</u>				<u>2018</u>			
	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	818,550	956,371	1,030,046	186,080	658,000	1,233,134	1,014,333	193,606
Lease Rent	5,741,320	6,015,289	6,563,855	130,587	6,221,170	4,656,723	4,512,532	147,376
Licence Fees	361,390	318,027	270,077	1,000	286,410	321,511	264,971	3,950
Other Revenue	5,209,350	6,042,022	10,935,102	3,997,693	3,849,450	5,057,487	6,368,402	7,040,838
	<u>12,130,610</u>	<u>13,331,789</u>	<u>18,799,080</u>	<u>4,315,360</u>	<u>11,015,030</u>	<u>11,268,855</u>	<u>12,160,238</u>	<u>7,385,770</u>

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Acreage Tax The balance of arrears of acreage tax amounting to Rs.155,752 as at the end of the year under review had included the arrears of Rs.98,170 receivable from 143 units remained for over 05 years.	Prompt action should be taken to recover the revenue receivable to the Sabha.	A sum of Rs.1,961 from the arrears had been recovered by May 2020 and action will be taken to recover the balance amount of arrears.
(b) Water tax The arrears of water tax amounting to Rs.71,270 had remained recoverable while a sum of Rs.63,025 out of that had related to the period ranging from 01 year to 03 years.	Prompt action should be taken to recover the revenue receivable to the Sabha.	A sum of Rs.35,700 from the arrears had been recovered by 31 May 2020 and action will be taken to recover the balance amount of arrears.

2.2.3 Trade Stall Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
The pre-payment money of Rs.540,000 had not been recovered from 12 trade stalls of the Ayagama weekly fair.	Prompt action should be taken to recover revenue receivable and security deposits receivable to the Sabha.	It was informed by the letters to recover key money.

3. Operating Review

3.1 Performance

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

(a) **Action Plan**

Audit Observation

Even though, an action Plan for the year under review had been prepared, no proposals whatsoever had been included to the annual action plan in respect of development of the authoritative area and upgrading the infrastructure provided for the people.

Recommendation

Development proposals for which provided provisions from the annual budget should be included in to the annual action plan.

Comments of the Accounting Officer

Action will be taken to include above proposals in preparing action plan for the subsequent year.

(b) **Failure to achieve Expected Objective**

Audit Observation

Even though, the provisions of Rs.22,465,000 had been made in the annual budget 2019 for 20 development activities 16 projects out of that had not been executed. Instead, other 23 projects had been executed.

Recommendation

Action should be taken to execute annual budget proposals.

Comments of the Accounting Officer

Even though, the provisions had been made for the development projects in the budget, the money has to be incurred for the essential works that should be executed during the year as such all works planned could not be executed.

(c) **Solid Waste Management**

Audit Observation

The Sabha had failed to plan and execute a proper waste management programme even by the end of the year under review.

Recommendation

A proper Waste Management Plan should be prepared and executed.

Comments of the Accounting Officer

The bio-degradable waste is being disposed to the Kalawana waste disposing place and it was closed by a soil layer. The separation of waste is being done at the Centre of solid waste separation.

3.2 Human Resource Management
Vacancies and Excess of Staff

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Thirteen vacancies relating to 10 posts had existed in the approved cadre.	----- Action should be taken to complete the vacancies of necessary posts.	----- The information with regard to vacancies of the cadre has been furnished to the office of the Assistant Commissioner of Local Government Rathnapura and office of the Provincial Chief Secretary Sabaragamuwa on quarterly basis.

3.3 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- A trade stall belonging to the Sabha which leased out to a monthly rental of Rs.2,400 from the year 2008 had been subleased by the lessee to a third party for a monthly rental of Rs.12,000 contrary to the conditions of the lease agreement. Nevertheless, the action had not been taken to assess the lease rental once in 05 years and to revise.	----- Action should be taken in terms of the conditions of the agreement in respect of sub-leasing and the property should be assessed and the rental should be revised.	----- The lessee had been informed in respect of the sub-leasing and the requests had been made to the Department of valuation for the assessment, but an assessment thereon was not received up to now.