

Ambalangoda Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 26 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 02 September 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Ambalangoda Pradeshiya Sabha as at 31 December 2014 and its financial performance and Cash Flow for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting Policies followed by the Sabha had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a) Tipper Vehicle bearing No. WP LL 7074 valued at Rs. 8,500,000 donated to the Sabha during the year under review and the Air Condition Machine purchased for Rs. 306,200 by the Sabha during the year under review had not been capitalized in the financial statements. Due to that the Motor Vehicles and Carts Account in a sum of Rs. 8,500,000, the Furniture and Office Equipment Account in a sum of Rs. 306,200 and the Contribution from Revenue to Capital Outlay Account in a sum of Rs. 8,806,200 had been understated.

- (b) Expenditure incurred amounting to Rs. 313,000 for accessories fixed during the year under review to the Sabha Cab Vehicle bearing No. P.F-3407 had been shown as recurrent expenditure without being shown as Capital Expenditure in the financial statements. Due to that the Motor Vehicles and Carts Account and the Contribution from Revenue to Capital Outlay Account had been understated at the rate Rs. 313,000.
- (c) Expenditure incurred amounting to Rs. 212,412 for the ensuing year had been shown as expenditure for the year under review in the financial statements. Due to that, Recurrent Expenditure for the year under review had been overstated to that extent.
- (d) Recurrent Expenditure incurred amounting to Rs. 206,758 during the year under review had been shown as Capital Expenditure for the year under review.
- (e) Although purchases of 59 Tar Barrels and Tyres had been made during November and December of the year under review having spent a sum of Rs. 2,000,000, value of the balance stock as at 31 December had not been computed and shown in the financial statements.
- (f) A sum of Rs. 3,350,071 receivable for tar issued to societies had not been shown in the financial statements. Due to that, Debtors had been understated to that extent.
- (g) Provision had not been made in the financial statements for Pension Contributions Payable on behalf of the Retired Local Government Employees amounting to Rs.3,658,873 as at 31 December of the year under review.
- (h) Ten Cassette Machines valued at Rs. 59,000 purchased during the preceding year, but payment made on 29 January of the year under review had not been capitalized.

- (i) Although the Courts Fines Revenue relevant to the year under review was Rs. 2,331,625, a sum of Rs. 2,604,000 had been shown as revenue for the year in the financial statements, causing overstatement of revenue for the year under review in a sum of Rs. 272,375.
- (j) Although the Capital Grants Receivable for 40 Works as at 31 December of the year under review was Rs. 26,743,772, a sum of Rs.54,931,333 had been shown in the financial statements, causing overstatement of Debtors and Capital Grants at the rate of Rs. 28,187,561.
- (k) Although the amount payable for 32 Works as at 31 December of the year under review was Rs. 24,764,130, a sum of Rs.33,719,583 had been shown in the financial statements, causing overstatement of Creditors and Capital Expenditure at the rate of Rs. 8,955,453.
- (l) Although billing for Meetiya goda Weekly Fair for the year under review was Rs.242,500, it had been shown as Rs. 409,410 in the financial statements, causing overstatement of Rent Receivable and Debtors at the rate of Rs.166,910.

1.3.3 Non-reconciled Control accounts

Following observations are made.

- (i) A difference of Rs. 746,065 was observed between the balances according to Control Accounts and balances according to Subsidiary Registers relevant 02 items of accounts.
- (ii) Although there was an Acreage Tax balance of Rs. 174,739, Lease Rent balance of Rs.449,573 and License Fees balance of Rs. 49,650 according to Control Accounts, subsidiary registers in the Sub-office had not been balanced and therefore it was not possible to compare the balances in the control Account with the balances in the subsidiary registers.

1.3.4 Lack of Evidence for Audit

Evidences such as Title Deeds, up dated Register of Fixed Assets, Schedules, Board of Survey Reports, Confirmations of Balances Schedules of Debtors and Creditors connected with transactions totalling Rs.211,282,570 shown in the financial statements were not furnished to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.1,379,205 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,660,949.

2.2 Revenue Administration

2.2.1 Rates

Although areas with electricity facilities, telephone facilities, water facilities and facility of removal of Waste and garbage by the Sabha such as Batapola Town exist in the area of authority of the Sabha, action had not been taken to identify those areas and recover rates in terms of Section 134(1) and (2) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Acreage Tax

Action had not been taken to recover Acreage Tax amounting to Rs. 174,739 relevant to the year under review and previous years in terms of Sections 158(1) (a) of the Pradeshiya Sabha Act No.15 of 1987 during the year under review as well.

2.2.3 Lease Rent

Action had not been taken to recover Lease Rent amounting to Rs. 449,573 relevant to the year under review and previous years in terms of Sections 159(1) of the Pradeshiya Sabha Act No.15 of 1987.

2.2.4 License Fees

Action had not been taken to recover License Fees amounting to Rs. 49,650 relevant to the year under review and previous years in terms of Sections 152(4) of the Pradeshiya Sabha Act No.15 of 1987.

2.2.5 Court Fines and Stamp fees

Courts Fines amounting to Rs. 3,140,260 and Stamp Fees amounting to Rs. 13,341,606 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31December 2014.

3. Operational Review

3.1 Unauthorized Transactions

A sum of Rs. 1,938,160 had been spent out of the Sabha Fund for participation in two foreign study tours on behalf of the Chairman and 08 Members, which is not a function falling under the functions referred to in Section 132 of the Pradeshiya Sabha Act No. 15 of 1987 where legal provisions had been made with regard to utilization of Pradeshiya Sabha Funds.

3.2 Management Inefficiencies

Declarations of Assets and Liabilities had not been furnished for the year 2014 even as at 26 January 2015, by the Chairman, Vice Chairman and 09 Members as required in terms of the provisions in the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 of 1988.

3.3 Operational Inefficiencies

(a) Purchase of Street Lamp Equipment

While a sum of Rs. 1,305,044 had been spent for the purchase of Street Lamp Equipment during the year 2014, a sum of Rs. 1,440,512 had been spent for maintenance of street lamps.

Following matters are observed in this connection.

- (i) According to the instructions given in Circular No. PF/12/91 dated 16 March 1998 of the Ministry of Irrigation and Power, for fixing street lamps newly; prior approval for that should be obtained from the Ministry of Irrigation and Power. However, street lamps had been fixed without obtaining such approval.
- (ii) Although agreements had been signed with the Ceylon Electricity Board for the year 2012, any allowance had not been received to the Sabha.
- (iii) Agreements had not been signed with the Ceylon Electricity Board for the years 2013 and 2014.

(b) Land Auctions

At the physical inspection carried out on 21 January 2015 with regard to land auctions of Galagodabedda Land, Kurunduwatta Land and Ratmehara Watta, it was observed that the plots of lands give to the Sabha for common amenities were unsuitable plots. The deeds relevant to those plots had not been given to the Sabha. The roads in the lands had not been concreted and electricity supply too had not been provided.

3.4 Idle Assets

It had been informed in terms of Circular No. PCMD/PR//2013 dated 05 Jun 2013 of the Secretary to the President to prepare a scheme within 03 months for disposal of old vehicles and machinery and equipment getting deteriorated without being used in Government Institutions. However, it was observed at the audit inspection carried out on 24 January 2015 that two Hand Tractors had remained getting corroded in the Sabha ground.

3.5 Identified Losses

The Ministry of Local Government and Provincial Councils had provided 512 Galvanized Pipes 1” to the Sabha during November 2014. At the physical inspection carried out on 01 April 2015 it was observed that only 393 Galvanized Pipes were available. Accordingly, there was a shortage of 119 Galvanized Pipes 1”. Value of shortage of pipes was Rs. 131,733.

4. Accountability and Good Governance

Budgetary Control

It was observed that there were variations of certain revenue items between the budget estimates and the actual and there were excesses in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management