

Ambanganga Korale Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 21 April 2014 while Financial Statements relating to the preceding year had been submitted on 08 April 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 27 August 2014.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of my report sent to the Chairman, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Ambanganga Korale Pradeshiya Sabha as at 31 December 2013 and financial results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial Statements for the year under review had not been prepared in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed in audit.

- (a.) Provision had not been made in the financial statements for audit fees payable for the year under review.
- (b.) Stock value of 99 repairing sockets as at end of the year under review had not been shown in the accounts.

1.3.3 Accounts Receivable and Payable

Following matters were observed.

(a.) **Accounts Receivable**

While the total of 03 balances of Accounts Receivable as at end of the year under review amounted to Rs. 5,348,460, balances relating to a period ranging between one year and five years amounting to Rs. 3,541,974 were included therein.

(b.) **Accounts Payable**

While the total of Creditors' Balances Payable as at the end of the year under review amounted to Rs.3 ,193,721, balances relating to a period ranging between 02 years and 05 years amounting to Rs. 175, 952 were included therein.

1.3.4 Lack of Evidence for Audit

Transactions totalling Rs.15,867,029 could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

1.3.5 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

**Reference to Laws, Rules,
Regulations etc.**

Non-compliance

(a.) Pradeshiya Sabha Act No. 15 of 1987

(i.) Section 19(i)(i)

- Two employees had been engaged in-service and a sum of Rs. 99,184 had been paid to them as salaries and allowances without obtaining the prior approval of the Commissioner of Local government.

(ii.) Section 132(j)

- Expenditure amounting to Rs. 61,650 had been incurred 03 instances without obtaining the approval of the Minister.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 amounted to Rs.761,497 as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.722,572. When compared with the preceding year, a decline of Rs.1,484,069 was shown in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Acreage Tax and Water Charges

Acreage Tax and Water Charges in arrears amounted to Rs. 52,472 and Rs. 170,570 respectively.

2.2.2 Lease Rent

Two stalls in Gurubavila and a stall in Pussella had been leased out for a period of 05 years without obtaining the approval of the Minister in terms of section 19(xii) of the Pradeshiya Sabha Act. Although a period of 05 years had elapsed since the construction of stalls in Gurubavila, one stall had not been leased out from that date to end of the year under review.

2.2.3 Court Fines and Stamp Fees

A sum of Rs. 305,552 on account of court fines and a sum of 423,154 on account of stamp fees was due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Operational Inefficiencies

Following matters were observed.

- (a.) Out of the 68 building applications received during the year under review and three preceding years for approval of building plans in terms of Section 21 of the Urban Development Authority Act No. 41 of 1978, 42 applications had been approved. However, out of those, Certificates of Conformity had been issued only for 02 applications.

- (b.) The total of retirement contributions payable to the Local Government Pension Fund as at the end of the year under review amounted Rs. 819,896 due to non-remittance of contributions continuously.
- (c.) Although expenditure amounting to Rs. 4,962,026 had been incurred for the construction of the Sabha Building and other related constructions, action had not been taken to vest that land to the Sabha.
- (d.) Action had not been taken to identify and settle the Prepayments Balance of Rs.188,710 over a period of 06 years.

3.2 Idle/Under-utilized Assets

A tractor, two motor cycles and tipper vehicle belong to the Sabha had remained idle and parked in the Sabha premises.

3.3 Identified Losses

A loss of Rs.17,000 had occurred to the Sabha due to non-recovery of rent appropriately, relating to preceding periods for a stall belongs to the Saba.

3.4 Contract Administration

Following matters were observed.

Nature of Work	Estimated amount and source of funds	Date of Inspection	Observations
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(i.) Construction of Narrow Bridge in the Section of Asvedduma, Kolombu Watta, Kumabaloluwa	Rs. 293,912 Provincial Criteria Development Grants	13 March 2013	(i.) Although a sum of Rs.88,355 had been spent for 10.08 cubic metres for the Granite wall of the bridge Granite had not been up to the standard. (ii.) Item of work had not been completed by plastering with cement and sand mixture in 8.5 square meters.

(iii.) Although a sum of Rs.15,324 had been paid earth cutting and transport for filling near the walls that item of work had not been performed.

(ii.) Reconstruction of 08 Acres Road Ilagalla 291,227 Provincial Criteria Development Grants

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(i.) Although concrete mixture should be supplied to a thickness of 04 inches, in the examination of two places after breaking, it was observed that the median thickness was 2.875 inches.

(ii.) While the length of the road had been 82 meters and width had been 2.5 meters, Thickness was 0.073 cubic meters. A sum of Rs.68,175 had been overpaid for the total of 5.55 cubic metres.

4. Accountability and Good Governance

4.1 Budgetary Control

While any revenue had not been earned out of the estimated revenue of Rs.152,000 relating to 9 revenue items, variation in a range of 27 percent to 95 percent between the estimated revenue and actual revenue relating to 15 items of revenue were observed. While variation in a range of 19 percent to 96 percent between net provision and actual expenditure relating to 22 items of expenditure were observed, entire estimated provision for 04 items of expenditure had been saved. Accordingly, it was observed that the Budget had not been used as an effective tool of management.

4.2 Un-resolved and not responded audit queries

While replies had not been furnished to 11 audit queries sent to the Sabha, transactions that could be computed subject to those audit queries amounted to Rs. 17,868,587.

5. Systems and Controls

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

- (a.) Recovery of revenue in arrears
- (b.) Budgetary controls
- (c.) Internal Control
- (d.) Debtors and Creditors Control
- (e.) Assets Management
- (f.) Financial Management