

Akurana Pradeshiya Sabha**Kandy District****1. Financial Statements****1.1. Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 31 March 2014 and the financial statements for the preceding year had been presented on 27 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 December 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Akurana Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements**1.3.1. Accounting Deficiencies**

The following deficiencies are observed.

- a) When the values of lands indicated in the registers submitted for the audit are compared with the values indicated in the financial statements, the value of 36 lands amounting to Rs.1,613,668 had not been brought to account.
- b) The Motor Cab bearing number 252-6527 costing Rs.1,500,000 had been repaired in the year 2013 spending Rs.3,133,447 and action had not been taken to assess the new value of the Motor Cab and capitalize.

- c) The water charges in arrears amounting to Rs.26,652 which had not been brought to account as pointed out in the report of the Auditor General in the year 2012, had not been adjusted to the accounts even in the year under review.

1.3.2. Accounts Receivable and Payable

a) Accounts Receivable

The value of total balances of accounts receivable as at 31 December 2013 amounted to Rs.127,883,524 and out of this, the value of total account balances in 06 items of income exceeding 1 year, had been Rs.3,696,445.

b) Accounts Payable

The value of total balances of accounts payable as at 31 December 2013 amounted to Rs.117,120,733 and out of this, the value in one item of account exceeding 1 year, had been Rs.168,443. Out of this balance, Rs.21,275 was further due as at 22 August 2014.

2. Financial Review

2.1. Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.17,441,899, as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,076,356 for the preceding year. Therefore the financial result had been improved by Rs.11,365,543.

2.2. Working Capital Management

The ratio between total current assets and current liabilities was 1.22:1, and the ratio in the preceding year was 1.19:1. It was observed that, this ratio was not in a superior level. Further, 70% of the total current assets amounting to Rs.107 million had been recoverable from the Local Government Infrastructure Improvement Project (LGIIIP), whilst 90% of total current liabilities amounting to Rs.106.7 million consisted of value payable to the, Lanka Trading Constructions Company.

2.3. Revenue Administration

(a) Rates and Taxes

The arrears at the beginning of the year under review amounted to Rs.1,791,977, whilst the amount collected from the billed amount for the year was Rs.4,514,513. Therefore the percentage of collection during the year had been 68%.

The balance due as at 31 December 2013 amounted to Rs.3,004,309 and action had not been taken even as at 30 June 2014, to follow the provisions in Sections 158 (1) and 159 (1) of the Pradeshiya Sabha Act No. 15 of 1987, and recover the income in arrears.

(b) Lease Rent

The lease rent income due as at 31 December 2013, from 29 stalls for a period in the range of 06 months to 10 years, amounted to Rs.551,142. But action had not been taken, regarding the stalls with rent in arrears, according to the agreements.

(c) Transmission Tower Charges

Action had not been taken to collect the trade licence fees amounting to Rs.12,000 for the year under review, from 04 Telephone Transmission Towers which had been constructed within the area under the authority of the Sabha.

(d) Hording Charges

Action had not been taken to collect the fees, amounting to Rs.202,300 from the relevant organizations, with respect to the 08 permanent hordings, located within the town.

3. Operating Review

3.1. Performance Evaluation

The Progress Reports and Administrative Reports indicating the physical and financial performance had not been prepared to ensure the compliance with the annual action plan.

3.2. Contract Administration

The following matters are observed.

- (a) Dodamgolla cross road had been completed on 14 December 2013 at a cost of Rs.366,868, and 02 locations in the area covered with interlocking paving blocks, totalling to 55 square feet had sunk.
- (b) The byroad which passes close to the Bulugothenna Main Church is a private a road not vested with the Sabha, and a sum of Rs.142,500 from Sabha funds had been spent for concreting the road.

3.3. Irregular Transactions

Hiring charges amounting to Rs.115,000 had been paid for the vehicle bearing number HC 6094 deployed on hire basis for work of the Sabha, during the year under review. But the purposes this vehicle had been utilized by the Sabha could not be established. Similarly the details of journeys had not been entered in the running charts of the vehicle.

3.4. Idle and Underutilized Assets

12 stalls in the General Market Complex of the Sabha situated at the centre of Akurana town had been kept closed for about 02 years, without renting out or utilizing for another useful purpose.

3.5. Operating Inefficiencies

Action had not been taken to collect the taxes impose on sales, and acquire the block of land which should be vested with the Sabha for common facilities, from the auctioned land named Sudu Hakuruwatta at Mawathupola, Kenekagala in Alawathugoda.

4. Accountability and Good Governance

4.1. Corporate Plan

A corporate plan had not been prepared by the Sabha for the year under review.

4.2. Procurement Plan

Though capital expenditure amounting to Rs.73,115,724 had been incurred by the Sabha, a procurement plan had not been prepared for the year under review.

4.3. Action Plan

An action plan had not been prepared for the year under review.

4.4. Internal Audit

Adequate internal audit had not been carried out by the Sabha during the year under review.

4.5. Budgetary Control

The following observations are made.

- (a) When the estimated revenue and expenditure in the budget prepared for the year under review was compared with the actual revenue and expenditure, variances in the range of, 15% to 81% in respect of 06 items of revenue, and variances in the range of 23% to 63% in respect of 08 items of expenditure were observed. It was observed that the budget had not been made use of as an effective tool of control.

- (b) The budgeted revenue of 09 sub items relevant to 05 revenue heads, amounted to Rs.1,839,250 and relevant percentage of revenue collection was 0%.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- a) Accounting
- b) Revenue Administration
- c) Human Resource Management