

Ambalantota Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 01 April 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 3 December 2014.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Ambalantota Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Following observations are made.

- (a.) Although the accounts should be prepared by the Local Authorities with effect from 01 January 2011, according to the Sri Lanka Public Sector Accounting Standards, in terms of the Circular No. PED/54 dated 19 January 2010 of the Director General of Public Enterprises, those standards had not been followed.

- (b.) A Cash Flow Statements had not been submitted together with the financial statements for the year.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a.) Revenue Receivable amounting to Rs.81,150 for the Gully Bowser Services provided during the year under review had been omitted from the revenue for the year and the revenue debtors. A sum of Rs.8,100 received during the year under review for providing Gully Bowser Services for the ensuing year had been accounted as revenue for the year under review.

- (b.) Although the amount to be reimbursed from the Ceylon Electricity Board for maintenance of street lamps by the Sabha was Rs.464,496, it had been shown as Rs.100,953 in the Balance Sheet under Other Revenue in Arrears, understating in a sum of Rs.363,543.

1.3.3 Un-explained Differences

Un-explained differences amounting to Rs. 16,415 were observed between the values of stocks shown in the Balance Sheet of the year under review and the balances shown in the stocks registers.

1.3.4 Lack of Evidence for Audit

Evidence such as registers, schedules and age analysis relating to transactions totalling Rs.136,987,770 was not submitted 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 2013 amounted to Rs.6,458,658 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,464,900.

2.2 Revenue Administration

2.2.1 Performance in collection of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	2,013	3,580	3,718
(ii.) Lease Rent	14,825	14,942	913
(iii.) Licence Fees	2,106	2,044	428
(iv.) Other Revenue	44,423	39,666	71,566

2.2.2 Rates

While the Rates in arrears as at the end of the year amounted to Rs.3,717,831, action in terms of Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover the Rates in arrears. While it was observed that 24 units of defaulted Rates outstanding over a long period were included in the balance of arrears, value of that amounted to Rs.813,359.

2.2.3 Lease Rent

While the Stalls Rent in arrears as at the end of the year amounted to Rs.84,790, action in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover the Stalls Rent in arrears.

2.2.4 License Fees

While the License Fees in arrears as at the end of the year amounted to Rs. 427860, action in terms of Section 152(4) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover those License Fees in arrears.

2.2.5 Other Revenue

(a.) Advertisements Boards Charges

Following observations are made.

- (i.) A survey had not been carried out during the year 2013, with regard to advertisements boards in the area of authority of the Sabha for which charge could be recovered.
- (ii.) Although a sum of Rs.150 should be recovered per square feet for permanent advisements Boards, as per Gazette Notification dated 07 December 2012, Rs.100 per square feet had been recovered for the advertisement boards of a private company, causing a loss of Rs.76,850 to the Sabha.
- (iii.) Action had not been taken by the Sabha, possible to be recovered fees to a large extent from advertisements boards of the communication and other companies.

(b.) Gully Bowser Revenue

A total sum of Rs.159,600 was due to be recovered as at the end of the year under review from three institutions for engagement of service of the gully bowser belongs to the Sabha. While adequate course of action had not been taken to recover the outstanding amounts, there was sum of Rs.151,600 receivable for the year 2012, out of that.

(c.) Machinery and Equipment Revenue in Arrears

Revenue outstanding at the end of the year under view for providing the motor grader, the bako loader and the wheel loader to the contractors and out side parties by the Sabha was Rs.1,558,090. While there was a sum of Rs.97,260 out of that being the balance for providing Machinery and Equipment during the preceding year, adequate course of action had not been taken to recover the amount in arrears even as at 31 December 2013.

2.2.6 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs. 12,667,120 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2013.

3. Operating Review

3.1 Performance

Three Works proposed under the provisions of Southern Province Members of Parliament during the year 2013, amounting to Rs.225, 0000, 04 Works under Maga Neguma provisions amounting to Rs.2,000,000 and 02 Works proposed out of Sabha Funds amounting to Rs.4,035,000 had not been implemented even as at the end of the year under review.

3.2 Management Inefficiencies

A sum of Rs.707,090 had been paid during January to October 2013 as salaries having employed two employees without a letter of appointment in terms Clause 8.1 in Chapter II, Volume I of the Establishments Code of the Republic of Sri Lanka and contrary to the provisions in Financial Regulation 201 of the Republic of Sri Lanka. Provident fund contributions had not been recovered for those employees. Although individuals who have exceeded the age of 45 years, except for the medical profession, should not be recruited to the government service in terms of Public Administration Circular No.23/94 dated 17 June 1994, these employees had been employed and salaries had been paid.

3.3 Operational Inefficiencies

Action had not been taken to issue Certificates of Conformity in respect of 170 building plans approved by the Sabha for construction works after having carried out supervision works as mentioned in the Urban Development Authority (Plans and Buildings) Order No.07 of 1986 published in the Extra Ordinary Gazette No.392/9 dated 10 March 1986.

3.4 Idle Assets

Cab vehicle No. 53-572, Ford tractor 49-0993 and Lorry bowser No. 41-6894 had been kept idle without being used by the Sabha over long period. Action in terms of Public Finance Circular No.438 dated 13 November 2009 had not been for disposal.

3.5 Contract Administration

Following observations are made.

(a.) Improving Elegoda East, Beminiyanvila Sri Sumana Avenue by spreading Concrete Blocks

Bills had been prepared for Works valued at Rs. 499,732 and sent for reimbursement having executed the work after assignment of this Work to an approved society.

(i.) Although a sum of Rs.74,800 at the rate of Rs.440 for a length of 170 meters had been paid, for making concrete blocks to a width of 4 inches and to a height of 09 inches with 1.2.4 cement, sand, metal mixture, height of the concrete blocks in the road, matters observed at the inspection of few places of the road carried out on 13 December 2013 were as follows.

- First Spot 4 inches
- Second Spot 4 inches
- Third Spot 5 inches
- Fourth Spot 4 ½ inches

(ii.) While it was observed that the average height of the two concrete edges constructed on the two sides of the road as mentioned under i above was approximately 4.4 inches, bills had been prepared for payment of 9 inches

and therefore an overbilling in a sum of Rs. 38,231 had been made. Although billing had been done for payment of a sum of Rs.4,802 for supplying good quality gravel and hardening the road elbows for 5.7 cubic meters, gravel had not been supplied for the road elbows. At the physical examination it was observed that there was no necessity to supply gravel for this road and bills had been prepared without proper supervision by the technical officers.

(iii.) It was observed that an awkward position is in existence with regard to the strength and durability of the concrete edges, due to non-construction of concrete edges to the height of 9 inches.

(b.) Improving Elegoda East, Sri Macerate Avenue by spreading Concrete Blocks

Bills had been prepared for Works valued at Rs. 498,579 and sent for reimbursement having executed the work after assignment of this Work to an approved society.

(i.) Although a sum of Rs. 63,360 at the rate of Rs. 440 for a length of 144 meters had been paid, for making concrete blocks to a width of 4 inches and to a height of 09 inches with 1.2.4 cement, sand, metal mixture, height of the concrete blocks in the road, matters observed at the inspection of few places of the road carried out on 13 December 2013 were as follows.

- First Spot 3.75 inches
- Second Spot 3.8 inches
- Third Spot 3.5 inches
- Fourth Spot 4 inches

(ii.) While it was observed at the filed institution carried out on 13 December 2013 that the average height of the two concrete edges constructed on the two sides of the road as mentioned under i above was approximately 3.8 inches, bills had been prepared for payment of 9 inches and therefore an

overbilling in a sum of Rs. 36,608 had been made. Although billing had been done for payment of a sum of Rs.4,044 for supplying good quality gravel and hardening the road elbows for 4.8 cubic meters, gravel had not been supplied for the road elbows. At the physical examination it was observed that there was no necessity to supply gravel for this road and bills had been prepared without proper supervision by the technical officers.

(iii.) It was observed that an awkward position is in existence with regard to the strength and durability of the concrete edges, due to non-construction of concrete edges to the height of 9 inches.

(c.) Improving Elegoda East, Haraswewa Road by spreading Concrete Blocks

Bills had been prepared for Works valued at Rs. 499,732 and sent for reimbursement having executed the work after assignment of this Work to an approved society.

(i.) Although a sum of Rs. 74,800 at the rate of Rs. 440 for a length of 170 meters had been paid, for making concrete blocks to a width of 4 inches and to a height of 09 inches with 1.2.4 cement, sand, metal mixture, height of the concrete blocks in the road, matters observed at the inspection of few places of the road carried out were as follows.

- First Spot 5 inches
- Second Spot 3 inches
- Third Spot 4 inches
- Fourth Spot 4 inches

(ii.) While it was observed at the field inspection carried out on 13 December 2013 that the average height of the two concrete edges constructed on the two sides of the road as mentioned under i above was approximately 4 inches, bills had been prepared for payment of 9 inches and therefore an

overbilling in a sum of Rs.41,555 had been made. Although billing had been done for payment of a sum of Rs.4,802 for supplying good quality gravel and hardening the road elbows for 5.7 cubic meters, gravel had not been supplied for the road elbows. At the physical examination it was observed that there was no necessity to supply gravel for this road and bills had been prepared without proper supervision by the technical officers.

(iii.) It was observed that an awkward position is in existence with regard to the strength and durability of the concrete edges, due to non-construction of concrete edges to the height of 9 inches.

(d.) Overpayments for Quality Testing Reports

Payments in a range from Rs. 11,000 to Rs. 12,500 had been made during the year 2012 for testing of 20 concrete blocks, for testing the quality of blocks fixed in roads improved by spreading concrete blocks under Maga Neguma Programme. While bills had been prepared in a range from Rs.12,000 to Rs.12,500 for testing a quantity between 09 and 10 concrete blocks of 26 Works during the year 2013, payments had been made at the rate of Rs.12,500 for four works. While it was revealed that the amount charged for testing one concrete block by the laboratory of the Department of Local Government is Rs.600, a sum in a range from Rs.1,250 to Rs.1,388 had been included in the bills for testing one concrete block by the technical offices. Accordingly, total sum overbilled was Rs.195,400.

(e.) Making Payments out of Sabha Fund before receiving reimbursements

A sum of Rs. 671,582 had been paid to contractors before receiving money, after sending bills for reimbursement for work implemented utilizing provisions of the Ministry of the Ports and Highways, and Provincial Criteria based provisions a sum of Rs.671,582 had not been reimbursed out of this as at 31 December 2013, date of audit.

3.6 Provision of Fuel for Members of the Sabha

A sum of Rs. 533,510 had been spent out of Sabha Fund for purchase of 4449 litres of fuel (diesel) for the members of the Sabha, for the Although there should not be any performance of road development works of the area of authority of the Sabha having obtained machinery and equipment from outside parties. Although any member or an employee of a Pradeshiya Sabha should not have any financial or other interest with regard to an agreement or work implemented by the Sabha in terms of Section 219(1) of the Pradeshiya Sabha Act No. 15 of 1987, the orders relevant to this quantity of fuel had been signed and taken over by the Members, contrary to the provisions referred to therein. There were no reports of the Technical Officer to support that, those quantities of fuel provided to the respective Members had been used for roads reconstruction works as well.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Assets Management
- (c.) Revenue Administration
- (d.) Human Resources Management
- (e.) Vehicles Administration