

Akurana Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 27 July 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 Akurana Pradeshiya Sabha as at 31 December 2014 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-reconciled Control Accounts

When the balance of the Rates Account amounting to Rs.3,007,070 is compared with the balance amounting to Rs.2,829,656 in the schedule, a non-reconciliation in a sum of Rs.177,414 was observed.

1.3.2 Accounts Receivable

While total value of Accounts Receivable balances as at 31 December 2014 amounted to Rs.30,606,703, the total of balances which had exceeded more than a period of one year out of those had been Rs.1,113,579. Out of these balances, a further sum of Rs.1,112,339 was outstanding to be recovered as at 30 June 2015.

1.3.3 Accounts Payable

Out of the value of Accounts Payable balances totalling Rs.33,398,969 as at 31 December 2014, the total of balances which had exceeded more than a period of one year had been Rs.2,443,126. Out of that balance, a further sum of Rs.2,306,851 was outstanding to be recovered as at 30 June 2015.

1.3.2 Non-compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance with laws, rules, regulations etc. were observed in audit

Reference to laws, rules, regulations etc., -----	Non-compliance -----
(a) Financial Regulation 571 (2) of the Republic Sri Lanka	Action in terms of the Republic Sri Lanka Financial regulation had not been taken in 92 instances with regard to time lapsed deposits amounting to Rs.2,604,823.
(b) Establishments Code of the Republic of Sri Lanka ----- Paragraph 44 in Chapter xxiv	A Distress Loan balance of Rs.39,875 due to be recovered from a deceased officer had not been recovered even after expiry of a period of 06 years.
(c) Gazette Notification No. 1597/8 dated 17 April 2009 of the Urban Development Authority	Out of 419 building applications approved during the period from years 2009 to 2014, Certificates of Conformity had not been obtained for 381 applications.

2. Financial 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.18,464,938 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted

to Rs.17,441,897. Accordingly, an improvement in a sum of Rs.1,023,041 was observed in the financial results.

2.2 Revenue Administration

2.2.1 Rates and Taxes

Following matters are observed.

- i. While there was an arrears sum of Rs.2,809,911 at the beginning of the year under review, billings for the year had been Rs.5,896,100. The amount to be recovered as at 31 December 2014 had been Rs.3,007,071 as the percentage of recovery out of arrears and billings had been 72 per cent. Action in terms of Sections 158(1) and 159 (1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken up to 30 June 2014 with regard to recovery of this balance.
- ii. Legal course of action had not been taken for the recovery of Rates in Arrears for a period ranging from 01 to 05 years due from 47 rate payers with amounts exceeding Rs.2,000 per annum in the area of authority amounting to Rs.278,428.

2.2.2 Court Fines and Stamp Fees

While Court Fines amounting to Rs.59,333 and Stamp Fees amounting to Rs.9,043,140 were due as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities, out of this, a sum of Rs.4,116,755 was outstanding as at 30 June 2015.

2.2.3 Telephone Transmission Towers Charges

Action had not been taken to recover Trade Licenses Revenue amounting to Rs.30,000 for the year under review for 10 Telephone Transmission Towers erected in the area of authority of the Sabha from the relevant companies.

2.2.4 Advertisements Boards Charges

Charges for 12 Permanent Advertisements Boards valued at Rs.366,200 had not been recovered.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) While a sum of Rs.4,000,000 had been received during the year 2014 from the Ministry of Public Administration, Local Government and Democratic Governance under the

National Program for Strengthening the Pradeshiya Sabha, out of that amount, only a sum of Rs.1,748,485 had been utilized during the year under review. It had been 43.7 per cent of the amount received.

- (b) Action had not been taken to get transferred the lands in favor of the Pradeshiya Sabha of the 02 community halls constructed in the Pansalthanna Colony and in the Vilana, Udugama, Hapugolla 06 Acre Colony belong to the Land Reform Commission.

3.2 Idle and under-utilized Assets

A Tractor and a Trailer bearing Nos. 49-5805 and 49-8522 belong to the Sabha had not been used for any work.

3.3 Contracts Administration

Following matters are observed.

- (a) **Development of Madugahawatta Road**

- i. Although it had been estimated to remove the damaged concrete parts on the surface of the road and apply ABC Mixture, it was revealed at the physical inspection carried out on 02 June 2015 that a sum of Rs.13,248 had been paid for that, in spite of failure in performing those units of works.
- ii. It was revealed at the physical inspection carried out on 28 August 2015 that a sum of Rs.68,290 had been paid for work not performed including fixing shuttering, transport of sand and metal having made wrong recommendations by a technical officer, although a part of work to the extent of 14.10 m x 2.45 m x 0.125 (C.M. 4.32) estimated for concreting the road had not been finished.

- (b) **Construction of Retaining Wall - Konakalagala Kanatta Road**

- i. Although the foundation of the retaining wall had been concreted to the extent of 7.5 m x 1.06 x 0.30 m with the mixture of 1:3:6 (1 ½) and payments had been made. It was observed at the physical inspection carried out on 02 June 2015 that constructions had been made to the extent of 7.5m x 1.06 x 0.15 m with a substandard concrete mixture breakable with hand. A sum of Rs.13,510 had been paid for the work not carried out in this connection .
- ii. Although it had been estimated to construct the retaining wall with cement and sand mixture of 1:5 utilizing 6” x 9” granite and payments had been made accordingly, it was revealed at the physical inspection carried out on 02 June 2015 that constructions had been made using a mix of granite in size more than 12” x 12’ with a substandard concrete mixture breakable with hand.

- iii. Constructions had not been made in conformity with the estimated rates and the accepted standards while the wall had been cracked showing an opening of ½ inch. Therefore the sum of Rs.148,109 spent on 09 December 2014 had been a fruitless expenditure.

(c) **Construction of Rathukohu Digala Gallana Muduna Road**

The title of lands had not been legally vested of the road planned to be constructed for access to a temple through a private land estimated for a sum of Rs.493,448. Although only up-rooting of trees in the road and earth cutting had been done and a sum of Rs.140,411 had been paid for that on 09 December 2014, at the time of audit inspection carried out on 02 June 2015 road construction had been abandoned.

3.4 Solid Waste Management

While a quantity of about 4 ½ to 5 tons of waste is getting accumulated in the area of authority of the Sabha per day, about 1½ tons of waste had been utilized for production of compost. It was observed at the physical inspection carried out on 02 June 2015 that the other wastes are being dropped into a pit nearby Yakgahawela compost yard without being sorted out and managed.

4. Accountability and Good Governance

4.1 Corporate Plan

A Corporate Plan had not been prepared during the year under review.

4.2 Procurement Plan

Although Capital Expenditure amounting to Rs.82,775,815 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 by the Sabha during the year under review.

4.4 Internal Audit

An adequate internal audit had not been carried out in the Sabha during the year under review.

4.5 Budgetary Control

It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 15 per

cent to 55 percent in 05 items of revenue and variations from 14 per cent to 82 per cent in 03 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contracts Administration
- (e) Assets Management.