

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 10 July 2015 while Financial Statements relating to the preceding year had been submitted on 21 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 02 September 2015.

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 this report, 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 Ambanganga Korale Pradeshiya Sabha as at 31 December 2014 and financial results of its operation for the year then ended and cash flows.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed in audit.

- (a) Capital Grants amounting to Rs. 4,250,000 and Capital Expenditure amounting to Rs. 4,200,000 for the year under review had been overstated in the financial statements.

- (b) The value of the Pradeshiya Sabha Building amounting to Rs. 1,276,714 and value of Library Books amounting to Rs. 467,217 had been understated in the accounts.
- (c) Value of 02 vehicles received from the Ministry of Provincial Councils and Regional Development received as donations had been accounted at the value of Rs. 8,723,220 obtained from a p]Private Vehicle Trading Entity without accounting the correct cost.
- (d) Three Items of Fixed Assets valued at Rs. 15,553,900 received as donations had not been included in the financial statements.
- (e) In spite of the fact that a sum of Rs. 1,694,807 only had been spent out of the funds received from the Ministry of Provincial Councils and Regional Development and the balance amount had been returned to that Ministry, without considering that, a provision of Rs. 2,305,193 had been made under Creditors erroneously.

1.3.3 Accounts Receivable

While the total of 05 balances of Accounts Receivable as at end of the year under review amounted to Rs.7,658,457, two balances that had elapsed more than 05 years amounting to Rs.2,908,648 was included therein.

1.3.4 Accounts Payable

While the total of 04 Creditors' Balances Payable as at the end of the year under review amounted to Rs.10,218,431, four balances that had elapsed more than 05 years amounting to Rs.2,058,929 was included therein.

1.3.5 Lack of Evidence for Audit

Transactions totalling Rs.5, 619,681 relevant to 08 items of accounts could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabah for the year ended 31 December 2014 amounted to Rs. 303,652 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 761,497. When compared with the preceding year, an improvement of Rs. 457,845 was shown in the financial results for the year under review.

2.2 Analytical Financial Review

When the position of revenue and expenditure of the year under review is considered with those for the preceding year, a trend of exceeding the recurrent expenditure over revenue was observed. Similarly, working capital position too indicated a continuous reducing trend and therefore a satisfactory position was not reflected with regard to financial management.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Following matters are observed.

- (a) Although water facilities had been provided to 461 consumers from the 07 Water Projects belong to the Sabha, water meters had not been fixed for 378 individuals out of them. A monthly fixed charge of Rs. 150 had been recovered from them.

Sabha had not paid attention to fix water meters and recover water charges according to the water consumption.

- (b) Action had not been taken to recover any revenue from the small scale Hydro Power Station installed in Kumbaloluwa.
- (c) Action had not been taken to earn income by issuing permits for the Transmission Towers constructed without obtaining approval for the plans in the area of authority of the Sabha.

2.3.2 Acreage Tax

While the balance of Acreage Tax in arrears amounted to Rs.52,722, balances which had elapsed more than a period of 05 years amounting to Rs.13,785 were included therein.

2.3.3 Water Charges

While the balance of Water Charges in arrears amounted to Rs.197,485, balances which had elapsed more than a year amounting to Rs.74,675 were included therein.

2.3.4 Court Fines and Stamp Fees

A sum of Rs. 228,933 on account of Court Fines and a sum of 404,600 on account of Stamp Fees were 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 Performance Evaluation

Following matters are observed.

- (a) Only the Road Maintenance Work had been included in the Corporate Plan prepared covering the years 2011 – 2015.

- (b) The Sabha had not paid attention to identify new sources for generating revenue and earn revenue accordingly. While the total Revenue earned during the year under review had been Rs. 7,748,685, out of that Operating Revenue had been Rs. 450,959 and it had taken a low value such as 6 per cent of the total revenue.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) The sum of Rs. 07 million provided under the Program for Development of Low Income Group Local Government Institutions by the Ministry of Local Government and Regional Development during the preceding year had not been utilized for the relevant works and due to that, it had to be returned back.

- (b) The Cab Vehicle No. 53 – 4723 costing Rs. 312,500 and taken charge by the Army during the year 1992 had been smashed and returned back to the Sabha. Action had neither been taken to repair and use it nor other suitable action.

- (c) The sum of Rs. 4,000,000 received from the Ministry of Local Government and the Regional Development for strengthening the Pradeshiya Sabha had not been timely spent and due to that, a sum of Rs. 1,245,780 for 07 Projects had been returned back to the Ministry of Finance.

- (d) Although an un-authorized Multi-Purpose Building had been constructed by the Ambanganga Korale Divisional Secretariat in the office land in extent of about 80 perches situated in Pussella belongs to the Pradeshiya Sabha, any legal action had not been taken by the Sabha in that connection.
- (e) While a house had been constructed without permission by the lessee, having added a part to a stall in the Pussella Trade Complex belongs to the Sabha, another person had been involved in unauthorized construction near the stalls in the same land. Sabha had not taken any legal action in with regard to those constructions.
- (f) Although the Land and Buildings of the Sabha should be surveyed once a year, a survey had not been carried out after 1987.

3.3 Idle/Under-utilized Assets

Following matters are observed.

- (a) Action had not been taken either to auction or remove from use Two vehicles valued at Rs. 395,000 that had been defunct for more than a period of 04 years.
- (b) The Stall No. 03 in Gurubebila had been closed down since the year 2008 without action being taken to lease out.
- (c) While the Electricity Generator Machine valued at Rs. 780,000 and the Concrete Mixing Machine valued at Rs. 181,500 remained idle from the year 2008. Tipper Vehicle bearing No. CPLK-9597 and the Tractor bearing No. CPJB-2723 had been parked idling without being used for revenue earning.

4. Accountability and Good Governance

4.1 Internal Audit

A system of Internal Audit had not been conducted in terms of Rule 5 (7) of the Pradeshiya Sabha (Financial and Administrative) Rues Series of 1988.

4.2 Un-resolved and not responded audit queries

Although Audit and Management Committees should be established in terms of the letter No. CPC/CLG/1/9/1/4 dated 08 August 2014 of the Commissioner of Local Government, action had not been taken to establish those committees up to 31 December of the year under review.

4.3 Budgetary Control

Even after making amendments to the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure as per particulars given below. Accordingly it was observed that, the Budget had not been made use of as an effective tool of management.

- (a) While any revenue had not been earned from estimated revenue amounting to Rs.696,000 relating to 08 Items of Revenue, there were variations in a range of 4 to 69 per cent between the estimated and actual revenue of another 20 Items of Revenue.

- (b) While the entire provision of Rs.325,000 made available for 18 Items of Expenditure had been saved, there were variations in a range of 01 to 69 per cent between the net provision and actual expenditure in another 36 Items of Expenditure.

5. Systems and Controls

-----.

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

- (a.) Accounting
- (b.) Budgetary controls
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Debtors and Creditors Control