

Ambagamuwa Pradeshiya Sabaha

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 27 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 sent to the Secretary of the Sabha on 28 July 2015.

1.2 Opinion

In my opinion, financial statements give a true and fair view of the financial position of the Ambagamuwa 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 Accounts Receivable and Payable

Accounts Receivable

In the balance of Capital Grants amounting to Rs. 175,074,019 receivable as at 31 December 2014, value of balances that had elapsed a period exceeding 01 year amounted to Rs.10,350,045.

1.3.2 Accounts Payable

While total of Accounts Payable balances as at 31 December 2014 was Rs.182,510,222, value of balances that had elapsed a period exceeding 01 year included therein amounted to Rs.19,397,262.

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.1,185,941 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 4,666,978. Accordingly, a decline of Rs. 3,481,037 was observed in the financial results.

2.2 Analytical Financial Review

When the surplus for the year under review is compared with the surplus for the preceding year, a decline in a sum of Rs. 3,481,037 was observed. It was due to decrease of revenue in a range from 1 per cent to 6 per cent in 02 items of revenue range and increase of expenditure in a range from 7 per cent to 100 per cent in 05 items of expenditure in 2004.

Although a sum of Rs. 27,470,364 had been received as salary reimbursements, a sum of Rs.45,333,534 had been paid as salaries and allowances. Accordingly, a sum of Rs. 17,863,170 had been spent out of the income of the Sabha for payment of salaries of the employees. That amount had been 42.33% of the Recurrent Revenue of the Sabha excluding the salary reimbursements.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Item of Revenue	Arrears as at 01.01.2014	Recoveries out of arrears as at 01.01.2014	Billing out of the arrears as at 31.12.2014	Recoveries out of billings during the Year	Arrears as at 31.12.2014		Total Arrears
					Out of Balance prevailed as at 01.01.2014	Out of billings for the year	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	2,487,595	899,643	7,049,510	6,204,062	1,587,952	845,448	2,433,400
Lease Rent	1,997,010	110,924	7,756,825	7,691,702	1,886,086	65,123	1,951,209
Licence Fees	182,421	-	3,506,680	3,506,680	182,421	-	182,421
Others	4,513,740	229,429	1,092,739	656,056	4,284,311	436,683	4,720,994

2.3.2 Lease Rent

- (a) Although the assessed monthly rent of the Two Storied Honsi Building was Rs. 9,500 according to the assessment made by the Valuation Department during the year 2000, only a monthly rent of Rs.1,500 was being recovered at present, since the year 1999.
- (b) Although it had been estimated to earn a revenue of Rs. 1,500,000 through leasing out latrines during the year under review, the actual revenue earned had been only Rs. 282,000.
- (c) Although a subleasing had been made for a sum of Rs. 170,000 on 30 January 2003 by the lessee of the stall No. 05 of the Watawala Public Market, any course of action had not been taken by the Sabha in that connection.

- (d) Although action had not been taken to earn a revenue from the public latrine in Ginigathena by leasing out through tenders for the year under review as well as during the preceding year, it was observed at the audit inspection carried out on 20 March 2015, that money had been recovered by an outside party from the individuals who use that latrine.

2.3.3 License Fees

It was revealed at a sample audit check that Action had not been to recover License Fees due to be recovered from 4 hotels registered in the Sri Lanka Tourism Promotion Authority, 12 Branches of Commercial Banks and 03 Tea Factory situated in the area of authority of the Sabha.

2.3.4 Meat Stalls Rent

Course of action had not been taken to recover arrears rent of meat stalls and fish stalls amounting to Rs. 1,288,260 that had been outstanding since the year 2003 to end of the year 2013.

2.3.5 Other Revenue

Although a sum of Rs. 1,206,000 had been recovered from 26 Three Wheeled Vehicles Associations for registration of vehicles during the year 2013, only a sum of Rs. 419,400 had been recovered from 17 Three Wheeled Vehicles Associations for the year under review even up to 30 November 2014 due to the delay in preparation of by-laws for parking vehicles.

2.3.6 Court Fines and Stamp Fees

Details relating to amounts receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

	Rs.
Court Fines	2,282,920
Stamp Fees	3,176,946

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Action had not been taken to establish the ownership of Land and Buildings valued at Rs. 95,534,439 belongs to the Sabha due to lack of deeds and plans.

- (b) Annual survey had not been carried out with regard to the Land and Buildings of the Sabha.

3.2 Improper Transactions

Following matters are observed.

- (a) While the Cab Vehicle bearing number CPGH-8124 for which a recommendations had not been received from a Board of Survey, or other Committee or an Examiner of Motor Vehicles for sale by auction, had been sold for a sum of Rs.1,675,000 through an auction on 25 September 2014, new tires had been fitted having spent a sum of Rs. 178,576 within 05 months near the date of auction.

- (b) Although 02 Batteries, 46 Tires and Spare Parts valued at Rs. 737,165 had been fitted newly, for 05 vehicles belong to the Sabha, it was not confirmed in audit that the old Batteries, Tires and Spare Parts removed were handed over, back to the stores.
- (c) A sum of Rs. 39,844 had been spent for the purchase of 125 Ladies Umbrellas for the function of honoring the Teachers of Religious Schools in Ambagamuwa Korale, contrary to the provisions in Section 132 of the Pradeshiya Sabha Act No. 15 o 1987.

3.3 Un-economic Transactions

Electricity Bills amounting to Rs. 24,637 relevant to the period from January 2013 to December 2014 of the Maskeliya Bus Stand belongs to the Sri Lanka Transport Board had been paid through the Sabha.

3.4 Contracts Administration

Following lapses were observed at the inspection carried out on 20 March 2015 with regard to the Construction of the Bus Stand and the Trade Complex in the Bagawanthalawa Town.

- i. Although the size of the door frames should be 4” x 3” according to Item of Work 8.2 in the Quantity Sheet, 21 door frames fixed were in size of 3 ¾ “x 3”.
- ii. While it was not confirmed that the ISO or SLS Standard Certificates were available for the Strengthening Twist Steel Wires supplied to the work site, action too had not been taken to obtain an approval from the Engineer before use.

3.5 Identified Losses

Value of 5475 misplaced books amounting to Rs. 578,655 according to the reports relevant to the Board of Survey carried out as at 31 December 2013 and value of 858 misplaced books amounting to Rs. 110,923 according to the Board of Survey carried out as at 31 December 2014 in 09 Public Libraries and value of shortages of 40 Equipment in 02 Public Libraries had not been computed and action had not been taken to recover those losses from the parties responsible.

4. Accountability and Good Governance

4.1 Budgetary Control

- (a) According to the Budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure, variations from 7% to 46% in 05 Items of revenue and variations from 13% to 100% in 07 items of expenditure were observed. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.
- (b) While the Sabha had failed to earn a sum of Rs. 9,023,385 out of the estimated revenue in 06 Revenue Heads, a sum of Rs. 15,422,031 had been spent exceeding the estimated expenditure in 06 Expenditure Heads. However, a proper transfer provisions for excess expenditure or making provisions through supplementary budget had not been made by the Chairman.
- (c) In spite of the fact that any provision had not been made available for the Expenditure Head for Interest Payments, Dividends and Bonus through the annual budget or transfer of expenditure or supplementary budget, an expenditure amounting to Rs. 513,386 had been incurred relevant to that Expenditure Had.

- (d) Percentage of recovery of revenue budgeted for Rs. 1,250,000 for 02 Sub-Revenue Items of 02 Revenue Heads was 0%.
- (e) Percentage of recovery of revenue budgeted for Rs. 4,300,000 for 07 Sub-Revenue Items of 03 Revenue Heads was not at a level of 50% or a level closer to that.

4.2 Annual Procurement Plan

Annual Procurement Plan had not been made use of in terms of Sub-Chapter 4.2 of the Government Procurement Guidelines.

4.3 Internal Audit

An adequate Internal Audit had not been carried out in the establishment in terms of Financial Regulation 133 of the Republic of Sri Lanka and Circular No. DMA/2009/01 dated 09 Department of Management Services.

4.4 Audit Queries not resolved and not replied

Replies had not been submitted to 06 audit queries as at 31 December 2013.

5. Systems and Controls

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

- (a.) Internal Control
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Debtors and Creditors Control
- (e.) Stocks Control
- (f.) Contracts Control