

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 5 May 2015 while Financial Statements relating to the preceding year had been submitted on 01 April 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 21 July 2015.

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 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 Accounting Deficiencies

Following observations are made.

- (a.) Contributions amounting to Rs. 3,504,813 payable to the Local Government Pension Fund by the Sabha as at 31 December 2014 and expenditure amounting to Rs. 118,043 relevant to the year under reviews had been omitted in the financial statements.
- (b.) Stamp Fees amounting to Rs. 287,850 receivable for the year 2012 had been overstated in the Stamp Fees outstanding as at 31 December 2014.
- (c.) Although a total sum of Rs. 212,973 had been received as Grants from the Ayurvedic Drugs Corporation and private donations for the Ayurvedic Centre maintained through the Sabha, a sum of Rs. 120,000 only had been credited to revenue.
- (d.) General Stores balance as at 31 December 2014 had been understated in a sum of Rs. 686,204.

1.3.2 Unauthorized Transactions

Action had been taken to write-off Trade License Fees in arrear totalling to Rs. 185,510 from the financial statement, relevant to the stalls closed down over a long period before getting the approval from the Minister in terms of Section 182 of the Pradeshiya Sabah Act No. 15 Of 1987.

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 2014 amounted to Rs. 4,153,169 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,458,658.

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	3,393	3,446	4,878
(ii.) Lease Rent	19,128	17,591	5,184
(iii.) Licence Fees	2,411	2,161	591
(iv.) Other Revenue	46,245	41,299	65,981

2.2.2 Rates

While the Rates in arrears as at the end of the year amounted to Rs. 4,878,231, action in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the arrears.

2.2.3 Lease Rent

Following observations are made.

- (a.) Action in terms of provision in Section 159(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover arrears of Stalls Rent amounting to Rs. 61,245 as at 31 December 2014.
- (b.) According to the valuation report of the Government Valuer during the year 2012, assessed value of 123 stalls in the Ambalanthota Public Market was Rs. 753,000. However, a sum of Rs. 457,200 had been recovered as stall rent according to the decision of Finance Committee Meeting held on 08 May 2012, causing a loss of Rs. 295,800 recoverable to the Sabha.

2.2.4 Advertisements Boards Revenue

Although a sum of Rs. 222,300 was outstanding to be recovered as Advertisements Boards Revenue as at 31 December 2014, action in terms of Section 126 (xxx) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover that revenue in arrears.

2.2.5 Machinery and Equipment Revenue

While Hire Charges recoverable for the Motor Grader, Loader Machine and the Beckon Loader Machine provided for hire by the Sabha had not been properly recovered, a sum totalling Rs. 2,560,831 was outstanding to be recovered as at 31 December 2014. While proper steps in terms of Rule 5(6) of the Pradeshiya Sabha (Financial and Administrative) Financial Rules Series of 1988 had not been taken to recover this revenue in arrears, arrears of revenue relevant to past years amounting to Rs. 451,433 too was included in this amount of revenue in arrears.

3. Operating Review

3.1 Management Inefficiencies

An individual who was holding the post of Sanitary Labourer had been recruited to the post of Sanitary Overseer with effect from 01 November 2009 in terms of public Administration Circular No. 20/2009 dated 25 November 2009. While Certificates had been sent to the Examinations Department for confirmation of results for making him permanent in the post after completion of the probation period, it had been confirmed on 21 May 2014 that he does not possess the qualifications to be promoted to the post of Sanitary Overseer and that the examination results furnished by him were not true copies. In spite of this situation, he had been paid a total sum of Rs. 200,772 as salaries and allowances for 08 months from June 2014 to January 2015. While the service of this individual had been suspended with effect from 01 January 2015, the Distress Loan balance of Rs. 23,350 outstanding from him to the Sabha had not been recovered even as at 26 March 2015.

3.3 Improper Transactions

A sum of Rs. 243,043 had been spent for the purchase of 2002 liters of fuel for the performance of roads development works in the area of authority of the Sabha having obtained Machinery and Equipment from outside parties by the members of the Sabha. Although, no member or servant of any Pradeshiya Sabha shall, whether directly or indirectly, be concerned of or have any financial interest in any contract or work made with or executed for the Pradeshiya Sabha, in terms of Section 219(1) of the Pradeshiya Sabha Act No. 15 of 1987, contrary to that, signing the orders relevant to this quantity of fuel and taking over had been done by the Members.

3.4 Contract Administration

Following observations are made.

- (a.) Although it has been informed according to the paragraph 01 of the letter No.MPH/HYW/MNG/Cer/14-1 dated 02 July 2014 of the Secretary to the Ministry of High Ways, Ports and Navigation, that estimates should be prepared without including 10 per cent additional cost to be added in the transportation of

raw material for the roads development works implemented under Maga Neguma Rural Roads Development Programme, action had not been taken accordingly, for 32 Works implemented having signed agreements by the Sabha after 02 July 2014. Due to that, a sum totalling Rs. 240,612 had been overpaid.

- (b.) Metal dust for foundations of the roads and spreading on the surface of metal for 06 Works implemented by the Sabha had been purchased more than the quantity required and due to a sum of Rs. 112,285 had been overpaid.
- (c.) Although payments had been made indication that shaping works were done on 4 sides of the concrete edges, when making shaping works on two sides of the roads relating to 06 Works implemented by the Sabha, shaping works had been made only on two sides of the concrete edges. Accordingly, a sum of Rs. 87,246 had been overpaid for two sides of these 06 Works.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue administration
- (c) Assets Management