

Aranayaka Pradeshiya Sabha
Kegalle 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 24 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 08 July 2015.

1.2 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 Aranayake Pradeshiya Sabha 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 matters are observed.

- (a) Action had not been taken to assess the value of 13 Cemetery Lands, two Play Grounds, a Land where a Maternity House is situated, a Land with Pedestrians Rest, a Fair Ground and 2 Blocks of Land with Houses belong to the Sabha and account under Land and Buildings.
- (b) Necessary adjustments had not been with regard to the shortage of Rs. 103,993 in the Stores Stocks account pending since the preceding year.
- (c) When making provisions for Creditors in respect of a Work to be continued, it had been provided as Rs. 100,000
- (d) Total value of 38 books as 33 books in the Ussapitiya Public Library and 05 books in Aranayake Public Library had not been ascertained and accounted.

- (e) Accounts relevant to the Revenue and Expenditure for the year under review had not been maintained in the Main Ledger.
- (f) In recording the stores materials purchased by the Sabha, it had been debited direct to the Expenditure Head instead of recording through Stores Control Account and Creditors Account.

1.3.2 Unreconciled Control Accounts

- (a) While the total of balances as at the end of the year under review relevant to 04 items of accounts according to financial statements was. Rs. 10,677,214, according to the subsidiary register and records, total of those accounts had been Rs. 10,008,773 indicating a difference of Rs. 668,441.
- (b) Non-reconciliations were observed between the amounts according to Revenue Accounts Reports and the Revenue Register (P.S. 19).

1.3.3 Suspense Accounts

Action had not been taken to settle the credit balance of Rs. 672,333 which had been brought forward over a period of 12 years during the year under review too.

1.3.4 Accounts Receivable and Payable

While value of balances of Accounts Receivable that had elapsed more than a period of 01 year as at 31 December 2014 was Rs. 506,154, value of Work Creditors that had elapsed more than a period of 01 year had been Rs. 100,000.

1.3.5 Lack of Evidence for Audit

Seven Payment Vouchers amounting to Rs. 45,683 relevant to the years 1999 and 2000 paid in relation to Ad-hoc Advances were not furnished to audit.

1.3.6 Non-compliance with Laws, Rules and Regulations

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Pradeshiya Sabha Act No. 15 of 1987 Section 127	- Although the Competent Authority for the functions in Section 3 of the Cemeteries and Burial Grounds Ordinance within the area is the Pradeshiya Sabha, a cemetery situated in the Aravpola Village was under the authority of the Hadabima Authority, contrary to those provisions.
(b.) Section 3 of Stamp Duties (Special Provisions) Act	- Although a charge of 10% or Rs. 2,000 which No. 2006/12 - Section 3 ever is less of the License Fee for the permit issued for carrying out a trade, business, profession or an employment should be remitted to the Commissioner General of Inland Revenue, Stamp Duty amounting to Rs. 24,681 had not been recovered and remitted to the Commissioner General of Inland Revenue in 2014 accordingly.
(c.) Financial Regulations of the Republic Sri Lanka. F.R. 571	- Action in terms of financial regulations had not been taken with regard to 17 Deposits totaling to Rs. 105,140 which had elapsed more than 02 years.
(d.) Financial Rules Code of the Sabaragamuwa Provincial Council Rule 261.2.2	- Advances totaling Rs. 131,383 given to officers in 09 instances had not been settled even as at the end of the year under review.

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.4,537,109 as compared with corresponding excess of revenue over recurrent expenditure amounted to Rs.10,686,135 in the preceding year indicating a decline of Rs.6,149,026 in the financial results.

2.2 **Analytical Financial Review**

Decrease in 05 Items of Revenue and increase in expenditure of 03 Items of Expenditure were the main reasons for the decline of financial results in a sum of Rs.6,149,026.

2.3 **Revenue Administration**

2.3.1 **Performance of Collection of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is shown below.

Source of Revenue	Arrears as at 01.01.2014	Recoveries out of Arrears as at 31.12.2014	Billings during the year	Recoveries out of billings for the year	Recoveries out of arrears as at 01.01.2014	Out of billings for the year	Total Arrears
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rates and Taxes	872	349	1,718	1,238	523	480	1,003
(ii) Lease Rent	418	117	1,598	1,577	301	21	322
(iii) Licence Fees	19	19	545	487	-	58	58
(iv) Other Revenue	6,110	5,544	12,600	1,640	566	10,960	11,526

Although the Balance of Rates at the end of the year according to the financial statements was Rs. 949,923, according to the statement of arrears above balance had been Rs.1,003,000.

2.3.2 Court Fines and Stamp Fees

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

	Rs.
i. Court Fines	132,000
ii. Stamp Fees	595,163

	727,163
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2.3.3 Meat Stalls Lease Rent

It had not been possible to recover the sum of Rs. 92,887 defaulted by the lessees of the Chicken stall No. 02 in the Public Market due to failure in entering into agreement and failure in taking a security deposit equal to three months' rent, when leasing out the stalls for the year 2013 and year 2014.

3. Operating Review

3.1 Management Inefficiencies

Although the Sabha is having 02 Cab Vehicles, 06 Tractors, a Three Wheeled Vehicle, a Road Roller and a Crew Cab in suitable running condition, it was observed that adequate number of drivers were not available for the vehicles, as there were only 05 drivers in the Sabha.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) Although five laborers had been engaged for road maintenance works daily, the places where they were engaged had not been identified.
- (b) A register containing full details relating to court cases against and the Sabha and cases filed by the Sabha had not been maintained. While the lawyers to appear on behalf of the Sabah had not been selected with transparency, it had been done on the basis of the nominations by the Chairman.
- (c) The Tractor bearing No. RC-1409 had met with an accident due to negligence of the driver. The sum of Rs.35,000 being the difference between the estimated sum for repairing it and the amount reimbursed by the Insurance Company had been a loss to the Sabha.
- (d) While a case had to be withdrawn due to failure in providing correct information requested by the lawyer, another case had been set aside subject to payment of cost as the lawyer had made a statement to Courts that the offices of the Sabha had no interest with regard to the case, causing a loss of 53,728 to the Sabha.
- (e) The Old Village Council Building had been leased out to an individual for residing on 27 February 2003. A case had been filed in Mawanella Magistrate Court to remove the lessee in order to commence an Ayurvedic Centre there. According to the judgment of that case, the case had been withdrawn on condition to pay Government Assessed Rent in future and to pay the cost incurred by the Government in response to the oral request of the tenant. After withdrawal of the case, the monthly rent of Rs.5,000 being the Government Assessed Rent and a sum of Rs.7,100 being the case charges incurred by the Sabha had not been paid causing a loss to the Sabha to that extent. The un-paid monthly rent together with the late fine amounted to Rs.99,000 for the year 2014 alone.

3.3 Idle and under-utilized Assets

Following matters are observed.

- (a) The Cab Vehicle bearing No. 53-5638 valued at Rs. 625,000 included in the Register of Fixed Assets after meeting with an accident since the year 2009, the Tractor bearing no. 49-7099 valued at Rs. 346,877, the Trailer bearing No. 67-0125 valued at R. 79,250 and the Tractor bearing No. 49-3365 valued at Rs. 630,000 had been parked in the Ussapitiya Sub-office ground opened to natural disasters.
- (b) The Vibrating Roller and the Compactor valued at Rs. 587,289 and the Concrete Mixer valued at Rs. 180,000 shown under Machinery and Equipment as at 31 December 2014, had been parked without being used in the Ussapitiya Sub-office ground opened to natural disasters.

3.4 Improper Transactions

A Fuel allowance of Rs. 140,000 had been paid for the period from August 2012 to November 2014 to a Pradeshiya Sabha Member who did not furnish evidence to support that he possesses a vehicle of his own.

3.5 Delayed Projects

The Construction Work of the Line of Steps for access to Wakirigala Community Centre for which a provision of Rs. 100,000 was made available during the year 2013, had not been commenced even up to 31 December 2014.

4. Accountability and Good Governance

4.1 Budgetary Control

Following matters are observed.

- (a) Out of the provisions made available in the Budget furnished for the year under review, a total provision of Rs. 24,000 being 100% provisions for 03 items of work and out of the provisions of Rs. 1,800,282, provisions between 55% and

95% for 07 items of work totalling all to Rs. 1,824,282 had not been utilized for the relevant activities.

- (b) A sum of Rs. 1,518,166 had been spent in excess of the approved estimates for 06 items of expenditure.
- (c) The Sabha had failed to recover 50% to 99% of the estimated revenue totalling Rs. 1,419,268 under 7 Revenue Heads.
- (d) Under these circumstances, It is observed that the Budget had not been made use of as an effective tool of financial management.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Budgetary Control