

Ambagamuwa Pradeshiya Sabha

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 2016 while Financial Statements relating to the preceding year had been submitted on 27 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 27 July 2016.

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 Ambagamuwa Pradeshiya Sabha at 31 December 2015 and its financial performance for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

While a Project for granting Scholarships at the rate of Rs. 1,500 to three children in 03 Ranaviru Families had been commenced during the Local Government Week during the year 2009, a sum of Rs. 45,000 paid out of Sabha Fund after stoppage of payments by the private firm sponsored for this was being brought forward in the Advance account continuously.

1.3.2 Although the balance in the general account maintained in the Peoples' Bank by the Sabha according to financial statements was Rs. 1,345,890, it had been Rs. 1,26,511 according to the bank reconciliation statement and the cash book, indicating a non-reconciliation in a sum of Rs. 99,379.

1.3.3 Accounts Receivable and Accounts Payable

(a) Accounts Receivable

While the total of 03 Accounts Receivable balances was Rs. 101,388,827, out of those total of balances that had elapsed a period exceeding 01 year amounted to Rs. 45,810,644.

(b) Accounts Payable

While total of 03 Accounts Payable balances was Rs. 147,191,188 out of those total of balances that had elapsed a period exceeding 01 year amounted to Rs. 66,856,374.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.95,636,764 could not be satisfactorily verified in audit due to

1.3.5 Non-compliance with Laws, Rules and Regulations.

Following instances of non-compliance with Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules and Regulations -----	Non-compliance -----
(a) Pradeshiya Sabha (Financial and Administrative) Rule-18	A Survey had not been done annually with regard to Land and Buildings belong to the Sabha.
(b) Financial Regulation 1646 of the Republic of Sri Lanka	Running Charts of any vehicle of the Sabha had not been submitted to the Auditor General.

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 2015 amounted to Rs.12,479,851 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,185,941. Accordingly, an improvement in a sum of Rs.11,293,910 was observed in the financial results.

2.2 Analytical financial Review

- (a) While an improvement in a sum of Rs.11,293,910 was observed when the surplus for the year under review is compared with the surplus for the preceding year, It was primarily due to increase of revenue in 05 sources revenue and decrease of expenditure in 05 items of expenditure.
- (b) Although a sum of Rs.40,855,395 had been received as salary reimbursements during the year under review, a sum of Rs.56,461,115 had been paid as salaries and allowances. While a sum of Rs.15,605,720 had been spent for payment of salaries of the employees of the Sabha, That money had been 28% of the recurrent revenue of the Sabha excluding salary reimbursements.

2.3 Working Capital Management

While the Current Ratio during the year under review had been 0.8:1 and not at an optimum level, the ability to pay out Current Liabilities on short term basis was at a very weak level. While 77 per cent of the Current assets had been Work Debtors, cash balance of the Sabha had taken a minus value amounting to Rs.2,654,869 Out of Current Liabilities Work Creditors had been 75%.

2.4 Revenue Administration

2.4.1 Performance in Revenue Collection

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

Item of Revenue	Arrears	Recoveries	Billings	Recoveries	Arrears as at 31.12.2014	
					Out of Balance	Out of Billings
Total Arrears	as at	out of the	during	Out of	prevailed as at	for the year
	01.01.2015	arrears as at	the year	Billings	01.01.2015	
		31.12.2015	2015	forthe year		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rs.						
Rates	2,433,400	603,295	7,049,510	5,463,986	1,830,105	1,585,524
3,415,629						
Lease Rent	1,951,209	250,000	11,314,117	11,207,950	1,701,209	106,167
1,807,376						
Others	4,720,994	632,599	1,511,905	952,958	4,088,395	558,947
4,647,342						

According to above particulars, management had not taken adequate steps for collection of revenue out of arrears at the beginning of the year under review and billings.

2.4.2 Rates

While out of arrears outstanding at the beginning of the year recoveries during year had been only 24 per cent, an adequate attention had not been made by the officers responsible for recovery of those arrears. Out of arrears at the end of the year, a sum of Rs.638,345 or 18 per cent was due from Government properties.

2.4.3 Lease Rent

While recoveries out of arrears outstanding at the beginning of the year had been 12 per cent, out of Beef Stalls Rent remained outstanding at the beginning of the year amounting to Rs.1,616,786 any amount had not been recovered during the year.

2.4.4 Courts Fines and stamp Fees

Stamp Fees amounting to Rs.9,155,662 and Court Fines amounting to Rs.1,460,895 were due to be recovered as at 31 December 2015.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Loans amounting to Rs.242,736 due from 10 retired employees and one interdicted officer were being brought forward without making recoveries.
- (b) Although it is prohibited to get overdraft facilities from a bank account of the Government in terms of Financial Regulation 387 of the Republic of Sri Lanka, payments had been made causing negative balances in 03 current accounts.
- (c) The ownership of a tractor and a motor cycle received as donations to the Sabha had not been transferred in favor of the Sabha.

3.2 Contracts Administration

Following matters are observed.

- (a) Although L Shape Iron Purling of size m.m.62x62x6 should be used for construction work of the roof of the Welioya Community Centre according to the estimate, it was revealed at the physical inspection carried out on 03 May 2016 that Iron Purling of size m.m.47x47x 6 had been used. However, full amount of Rs. 38,014 mentioned in the estimate had been paid.
- (b) In spite of non-fixing panel boards to the extent of 37.6 square meters of the work relating to the construction of Maskeliya, Laxapana Pre-school, it was revealed at the physical inspection carried out on 03 May 2016 that a sum of Rs. 38,014 had been paid for that.
- (c) While about 15 pines trees of 2 ½ - 3 ½ circumference in the construction ground of the Ricarton Compost Yard had been cut and removed, it was informed orally that those trees were cut and removed by the State Timber Corporation. However, any written evidence to support that State Timber Corporation was informed to remove those trees or that those were removed by the Timber Corporation were not submitted to audit. When concreting

the floor of the Project for improvement of Ricarton Compost Yard, inflate joints according to the plan had not been made.

3.3 Project Delays

An agreement had been entered into for a sum of Rs. 2,930,773 on 09 September 2014 for the construction work of the Murray Community Centre. Although part payments amounting to Rs. 1,281,472 had been made as at 15 May 2015, the contractor had abandoned the work. The Sabha had not taken action to en-cash the performance bond.

4. Accountability and Good Governance

4.1 Budgetary Control

Following matters are observed.

- (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 09 per cent to 43 per cent in 05 Items of revenue and variations from 03 per cent to 68 per cent 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. 6,871,231 out of the estimated revenue in 03 Revenue Heads, a sum of Rs. 2,860,916 had been spent exceeding the estimated expenditure in 02 Expenditure Heads.
- (c) Budgeted and supplementary provisions had not been compared with the actual and statement explaining reasons for surpluses /deficits relating to each revenue/expenditure item had not been prepared and submitted in terms of Pradeshiya Sabha (Financial and Administrative) rule 193.

4.2 Assets Management

Fifteen computers, two photo copying machines, a digital camera, a fax machine, a television machine, a duplicating machine and seven printers had not been recorded in the Inventory Registers with details to facilitate specific identification of those items.

4.3 Annual Procurement Plan

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

4.4 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 the Circular No. DMA/2009/01 dated 09 June 2009 of the Department of Management Audit.

4. Systems and Controls

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

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