

Aranayaka Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 28 June 2016.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Aranayaka Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

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- (a) Books valued at Rs.76,912 donated to the library had not been accounted under Capital Aid. Instead, it had been accounted under recurrent aid. As such, the recurrent revenue and the capital revenue had been overstated and understated respectively by similar amounts.
 - (b) The interest revenue of Rs.78,808 received for the year under review had been credited to the Accumulated Fund instead of being accounted under other revenue resulting in an understatement of surplus of the year by a similar amount.
 - (c) The total value of Rs.85,375 relating to a multipurpose projector valued at Rs.62,000 and an aluminium ladder valued at Rs.23,375 to be shown under capital expenditure had been shown under recurrent expenditure.
 - (d) The capital aid and the capital expenditure relating to 108 works carried out under the Provincial Council provision amounted to Rs.23,303,433. However, this had been accounted as Rs.237,904,234. As such, the capital aid and the capital expenditure of the year under review had been overstated in the financial and operating statement and the cash flow statement by Rs.214,600,801 each.

1.3.2 Unreconciled Control Accounts

According to the financial statements, the balances of 02 items of accounts aggregated Rs.7,469,365 as at end of the year under review and the balances aggregated Rs.6,448,692 in the subsidiary register/ reports resulting in a difference of Rs.1,020,673.

1.3.3 Suspense Account

Action had not been taken to settle during the year under review too the credit balance of the Suspense Account amounting to Rs.672,333 which continues to be brought forward for 12 years.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

The balances of accounts receivable for over 01 year as at 31 December 2015 amounted to Rs.451,478.

(b) Accounts Payable

The creditors exceeding 01 year as at 31 December 2015 amounted to Rs.42,215.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Rules Code of the Sabaragamuwa Provincial Council	
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261.2.7

The imprest of Rs.44,483 issued during 06 occasions from July 1999 to January 2000 had not been settled even as at 02 April 2016.

(b) Circular of the Secretary, Chief Ministry of the Sabaragamuwa No. CM/AD/20/03 of 16 November 2010.	
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All employees appointed as junior employees should be assigned with the duties relevant to their posts. However, contravening the circular instructions, other duties had been assigned to 10 employees of the Sabha appointed as labourers.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.9,930,291 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,537,109 showing an improvement in financial results of the year under review amounting to Rs.5,393,182.

2.2 Analytical Financial Review

The increase in 04 items of revenue and the decrease in 05 items of expenditure had mainly attributed to the improvement in financial results by Rs.5,393,182.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The information relating to revenue billed, actual revenue and the arrears of revenue, as presented by the Secretary appear below.

Source of Revenue	Arrears as at 01 Jan. 2015	Recoveries out of the arrears as at 31 Dec. 2015	Arrears as at 31 December 2015				Total Arrears
			Amount billed for 2015	Recoveries out of the amount billed for the year	Arrears as at 01 Jan. 2015	Arrears out of the amount billed for the year	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,028,540	613,121	2,380,546	1,975,912	415,419	404,634	820,053
(ii) Lease Rent	18,127	13,569	378,680	63,818	4,558	314,863	319,420
(iii) Licence Fees	-	-	151,175	149,875	-	1,300	1,300
(iv) Other Revenue	11,440,141	9,835,128	37,848,967	26,164,292	1,605,013	11,684,675	13,289,688

2.3.2 Court fines and Stamp fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015 appear below.

	Rs.
(i) Court fines	777,437
(ii) Stamp fees	9,921,609

2.3.3 Stall Tax

Action had not been taken to recover Rs.112,645 due for the period 2000 to 2014 from 05 lessees of 03 meat stalls and fish stalls functioning at the public trade complex of Dikpitiya.

3. Operating Review

3.1 Management Inefficiencies

- (a) The persons who had obtained a portion of land of the Sabha situated within the Dikpitiya town had constructed unauthorized storied houses and buildings for their businesses and had used them for occupancy and business activities. Action had not been taken to identify the properties and to evacuate the lessees as per lease agreement and to offer the properties on lease at the current rate.
- (b) Even though information had been received that unauthorized constructions had occurred at the central market premises and at the Dikpitiye playground, action had not been taken to stop those constructions and to evacuate the occupants.
- (c) A sum of Rs.3,000,000 had been received for the months of June, July and August of 2014 under the National Programme of Strengthening Pradeshiya Sabha, but, had failed to complete the project on 31 December 2015. As such, a sum of Rs.1,107,440 had been returned to the Ministry of Local Government and Provincial Councils on 19 August 2015. Out of the sum of Rs.1,000,000 received during the year under review, a sum of Rs.641,281 remained unutilized even by end of the year.
- (d) The monthly fuel limit of the Chairman, as per decision made by the Sabha is 600 litres. However, the fuel supplied during the months of August 2014 and January 2015 had exceeded the limit by 83.73 litres. Action had not been taken to recover Rs.9,467 on behalf of this.

3. Operating Inefficiencies

The crematorium constructed by incurring an expenditure of Rs.4,588,212 utilizing the provisions of the Udarara Development Authority had exploded with a loud noise while trying to cremate a

corpse in it damaging the burner, front and rear doors and the walls. As such, the company that had constructed the crematorium had furnished an estimate for Rs.1,353,300 to repair it. The crematorium had been insured at the Sri Lanka Insurance Corporation and as such a claim for compensation had been furnished. However, it was revealed at the inspection carried out by the insurance organization that this loss had occurred as a result of not maintaining it properly and had decided to reject the claim for compensation.

4. Accountability and Good Governance

4.1 Budgetary Control

- (a) Out of the provision allocated in the budget for the year under review, one hundred per cent of the provision totalling Rs.150,000 allocated for 04 items of work and 88 to 95 per cent of the provision totalling Rs.504,722 relating to 07 items of work showing an entire sum of Rs.654,722 had not been utilized for activities of the Sabha.
- (b) The revenue estimated for Revenue Head 01 aggregated Rs.150,000. This had not been earned at all.
- (c) The Sabha had failed to earn revenue aggregating Rs.94,470, that is, 50 to 91 per cent of the estimated revenue of 05 revenue heads.

3. Systems and Controls

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

- (i) Accounting
- (ii) Internal Control
- (iii) Revenue Administration
- (iv) Budgetary Control