

Akurana Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015 and the Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 07 June 2016.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Akurana Pradeshiya Sabha as at 31 December 2015 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 deficiencies were observed.

- (a) Actions had not been taken to account 07 land plots belong to the Sabha by assessing the value.
- (b) Three vehicles amounting to Rs. 26,891,063 which the ownership had not been transferred had been accounted under Non-Current Assets.

1.3.2 Accounts Receivable

While the value of 06 Accounts Receivable balances as at 31 December 2015 was Rs. 43,337,506, out of that value of balances that had been outstanding over 01 year was Rs. 6,896,804. Out of that balances a sum of Rs. 7,835,675 were further been receivable as at 30 April 2016.

1.3.3 Accounts Payable

While the total value of 02 Accounts Payable balances as at 31 December 2015 was Rs. 29,681,099, out of that, the value of account balances that had been outstanding over 01 year was Rs. 5,595,912. Out of that balances a sum of Rs. 17,999,175 were further been payable as at 30 April 2016.

1.3.4 Non-compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance were observed.

Reference to laws, rules and regulations etc.	Non-compliance
(a) Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988. ----- 218	All lands and buildings of the Sabha had not been examined annually.
(b) Financial Regulations of the Republic of Sri Lanka ----- 571(2)	Action had not been taken to clear Time lapsed deposits of Rs. 572,465.
(c) Establishments Code of the Republic of Sri Lanka ----- Paragraph 44 in Chapter xxiv	Proper measures had not been taken with regard to a Distress Loan balance of Rs.39,875 due to be recovered from a deceased officer even after expiry of a period of one year.
(d) Other ----- Gazette Notification No. 1597/8 dated 17 April 2009 of the Urban Development Authority	Out of 388 building applications approved during the period from 2011 to 2015, Certificates of Conformity had not been obtained for 346 applications.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2015 amounted to Rs. 13,037,958 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 18,464,938. Accordingly, a decline in a sum of Rs. 5,426,980 was observed in the financial results.

2.2 Analytical Financial Review

Some significant ratios with regarding the financial position and financial performance of Pradeshiya Sabha were shown below.

(a) Excess to Operating Income

The excess of financial result of the year under review and the previous year as a percentage of the operating income, that percentage is shown a deterioration.

(b) Comparison between Total Income and Total Expenditure

It was shown an increase in the percentage of total expenditure for total income during the year under review and the previous year, thus indicating an unfavorable impact on financial control.

2.3 Revenue Administration

2.3.1 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 are shown below.

Item of Revenue	as at 01.01.2015	Billings	Surcharges	Discount Given/Wri te Off	Receipt from Arrears	Receipt from Billings	Arrears as at 31.12.2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	3,007,071	5,936,697	408,094	243,982	1,646,272	4,787,531	2,674,077
Acreage Tax	1,295	300	09	--	1,295	300	--
Rent	392,498	3,272,756	63,360	9,766	251,430	3,195,497	271,921
License Fees	--	2,036,650	--	--	--	2,036,650	--
Other Fees	8,115,124	12,227,218	1,727	264,670	6,764,443	332,527	12,982,429
							15,928,427
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It was observed that the arrears of revenue balance as at 31 December of the year under review was Rs. 15,928,427.

2.3.2 Rates

While there was a balance of arrears amounting to Rs. 3,007,071 as at the date of commencement of the year under review, billings amounted to Rs. 5,936,697. Out of these balances, the percentage of recovery during the year had been 54 per cent and 80 per cent respectively. The balance of Rates in arrears as the date of end of the year under review was Rs. 2,674,077. Action

in terms of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the balances in arrears which had exceeded more than a year amounting to Rs. 1,360,798.

2.3.3 Shop Rent

Following matters are observed.

- (a) An outstanding balance of Rs. 271,921 were available as at the end of the year under review, and out of this outstanding balance, actions had not been taken to recover the amount of Rs. 124,441 which were receivable for a period ranging from 04 months to 05 years.
- (b) Though the business had been closed by giving-up trading due to leasing out a part of the corridor of the Market Complex in Akurana without inspecting the ability of trading, and an outstanding balance of Rs. 22,205 had been occurred due to billing without conducting the follow-up.

2.3.4 Court Fines and Stamp Fees

Court Fines and Stamp Fees receivable as at 31 December 2015 was amounting to Rs. 12,976,004.

2.3.5 License Fee

According to the survey conducted on business institutions in the area of authority, trade license had not been issued to 57 industries and business institutions, and no measures had been made in this regard.

3. Management Inefficiencies

3.1 Performance Evaluation

Sabha had earned a sum of Rs. 17,431,271 for the year under review as self-invention income, and out of that the amount spent for development activities was Rs. 5,324,216. This was 30.54 per cent of the self-invention income.

3.2 Management Inefficiencies

Building space of 2150 square feet in the ground floor of Pradeshiya Sabha building named as "Commercial Segment" facing to main road had been closed without utilizing for more than 02 years period.

3.3 Operational Inefficiencies

Following matters are observed.

- (a) Even though sending of unauthorized notices had only been performed by identifying and registering the 53 unauthorized constructions in the years 2014 and 2015, any other further actions had not been followed.

- (b) It was observed a considerable amount of unauthorized constructions at the physical verification made surrounding the internal roads of Akurana City on 05

3.4 Contract Administration

Following Observations are made.

(a) Development of Delgahagoda watta Road in Palleweliketiya – Rs. 200,000

Followings were observed in the physical verification made in this regard on 05 April 2016.

- (i) The construction works had been performed by using rubbles bigger than the size of 6"x9" in the constructed defending wall.
- (ii) Though constructing of the wall and the plastering on the surface should be done with 1:5 Cement Sand mixture, it had been constructed with low grade mixture which could easily be broken.

(b) Non-conducting of Development Activities in Priority Basis

When implementing the development activities of the authorized area by identifying the requirements and preparing priority of said requirements, though the construction activities had been planned accordingly, without implementing the said procedure, it had been followed the procedure of implementing the same proposals of Members of the Sabha made in time to time

(c) Non-Construction of Drains

The road had been damaged from rain water flowing over the road due to non-planning the side drains of the road when concreting the road and non-constructing the concrete road by filling the shoulders, and thereby, it was observed that the possibility of danger in damaged occur for the living of the people in the area, and also to the pedestrians and vehicles.

3.5 Solid Waste Management

Wastes dumping in road sides had been increased daily due to the Sabha had not taken relevant measures to collect wastes dumped in road side in the area of authority of the Sabha.

4. Good Governance and Accountability

4.1 Budgetary Control

- (a) Though the budget should be prepared from the proper estimate values taken from the technical officers for the projects to be implemented in the upcoming year from the priority preparation for the development proposals given in the previous year, without doing so, the budget estimates had been prepared and approved by considering the gross

amounts of 35 constructions of Rs. 3,200,000 as Members provisions and a sum of Rs. 435,000 as common developments.

- (b) According to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 15 per cent to 71 per cent in 05 items of revenue and variations from 18 per cent to 44 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Corporate Plan

A Corporate Plan had not been prepared.

4.3 Assets Management

Idle / Under-utilized Assets

Doom Truck No. WPLL – 6410 had been parked in Sabha premises idly, by using to transport garbage only for one day from the date it has been taken over to the Sabha in 07 February 2015 to 17 February 2016.

5. Systems and Controls

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

- (a) Revenue Administration
- (b) Waste Management
- (c) Contract Administration
- (d) Assets Management