

**Ayagama Pradeshiya Sabha**  
-----

**Ratnapura District**  
-----

**1. Financial Statements**  
-----

**1.1 Presentation of Financial Statements**  
-----

The financial statements for the year under review had been presented to audit on 08 April 2016 and the financial statements for the preceding year had been presented on 27 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 23 May 2016.

**1.2 Qualified Opinion**  
-----

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Ayagama 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 Policies**  
-----

The following accounting deficiencies are observed.

- (a) The amount paid to the contractor alone had been brought to account with regard to the capital receipts while the retentions amounting to Rs.531,636 had been understated in the accounts.
- (b) The entire fuel allowances of Rs.45,000 had been paid to 09 members. But, they were entitled for fuel allowances for 15 days. Accordingly, the expenditure on Expenditure Head – Fuel for non staff – had been overstated by Rs.22,500. The sum of Rs.22,500 recoverable from the members had not been disclosed in the accounts.
- (c) The fixed assets valued at Rs.46,653 purchased during the year under review had not been capitalized via Revenue Contributions to Capital Outlay Account.
- (d) Insurance compensation amounting to Rs.77,759 had not been brought to revenue during the year under review and the expenditure had been incurred from the Deposit Account. As a result, the revenue and expenditure of the year had been understated by the above value.

- (e) Schedules had not been furnished for the fixed assets aggregating Rs.52,656,402.
- (f) The official period of the members had ended on 15 May of the year under review. Although a sum of Rs.150,000 had been paid to the members as members' allowances, the amount entitled to them for 15 days only had been reimbursed. Accordingly, the expenditure on salaries had been overstated by Rs.75,000 in the accounts. The sum of Rs.75,000 recoverable from the members by the Sabha had not been disclosed in the accounts.

### 1.3.2 Unreconciled Control Accounts

-----

The balances appearing in the financial statements for the year under review and the balances appearing in the subsidiary registers with regard to 05 items of accounts differed by Rs.8,533,138.

### 1.3.3 Non-compliance with Laws, Rules, Regulations etc.,

-----

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

#### Reference to Laws, Rules, Regulations and Management Decisions

-----

#### Non-compliance

-----

(a) **Pradeshia Sabha Act No.15 of 1987**

-----

Section 24

Action should be taken by the Sabha to properly identify the road limits, survey them and to publish it in the gazette and to acquire them. However, such action had not been taken even by end of the year under review.

(b) **Financial Regulations No. 571 of the Republic of Sri Lanka**

-----

Action had not been taken in terms of the said regulation with regard to lapsed deposits valued Rs.679,205.

## 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.1,588,026 as against the excess of expenditure over revenue of the preceding year amounting to Rs.4,360,166.

### 2.2 Analytical Financial Review

The financial operating surplus of the year under review had increased by Rs.5,948,192 as compared with that of the previous year and it was observed that it was an increase of 136 per cent as compared with the previous year. It was observed that the increase in recurrent revenue of the year under review as compared with the previous year had mainly attributed to this.

### 2.3 Revenue Administration

#### 2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information furnished for the year under review with regard to the estimated revenue, actual revenue and the arrears of revenue appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	485	638	292
Lease rent	3,471	3,255	322
Licence Fees	363	423	10
Other Revenue	22,211	23,088	6,404

#### 2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue with the revenue collected for the year under review showed a decrease in revenue collected as compared with the estimated revenue by 11 per cent and 28 per cent respectively with regard to 02 items of revenue.

### **2.3.3 Rates and Taxes**

-----  
The rates and taxes recoverable as at end of the year under review amounted to Rs.61,937. Attention had not been paid to adopt the procedure of issuing restraining orders pertaining to properties in order to recover the above arrears of rates and taxes in terms of Section 158 of the Pradeshiya Sabha Act No.15 of 1987.

### **2.3.4 Lease Rent**

-----  
Acreage tax of Rs.75,519 existing as arrears for many years remained recoverable by end of the year under review.

### **2.3.5 Other Revenue**

-----  
The following matters are observed.

- (a) It was observed that the maintenance of registers of revenue for work tax, business tax and trade licences had been restricted to only the collection of revenue by the Sabha according to its type of business.
- (b) Proper detailed registers had not been maintained with regard to advertisement boards and banners exhibited within the authoritative area of the Sabha. It was revealed that the Sabha had not received any revenue from the advertisement boards exhibited within the authoritative area of the Sabha even by end of the year under review.
- (c) Action had not been taken to frame bye-laws for earning revenue on behalf of three wheeler parks.
- (d) The pork stall of the Ayagama week end fair had been given on an annual lease of Rs.60,900. However, it had been closed on 06 April 2015. Accordingly, it was observed that the revenue receivable had been deprived of. Similarly, although the Pahala Galathura week end fair fish stall had been given on an annual lease of Rs.171,000, the trade stall had become inoperative. Accordingly, the revenue receivable had been deprived of.
- (e) According to the Gazette Notification No.1887 of 31 October 2014 of the Republic of Sri Lanka, the rent declared for the Kalayathana Hall was Rs.1,500 per day. However, a minute amount of Rs.7,500 had been earned on 09 instances in 2015. A sum of Rs.1,719,900 had been spent in December 2014 to construct and renovate this theatre. However, the Sabha had not adopted a proper procedure with the intention of earning more revenue from the hall even by the date of audit.

### **2.3.6 Telecommunication Tower Fees**

-----

Although it was required to recover the fees specified in the Gazette Notification of the Republic of Sri Lanka No.1597/8 of 17 April 2009 for telecommunication towers already established or for the newly established telecommunication towers within the authoritative area of the Sabha, such action had not been taken.

### **2.3.7 Court Fines and Stamp Fees**

-----

Action had not been taken to identify the court fines due from July of the year under review. Action had not been taken to obtain the court fines of Rs.574,167 due for the period December 2014 to June 2015. Further, action had not been taken to identify or to recover the stamp fees due from the Land Registry since September 2014.

## **3. Operating Review**

-----

### **3.1 Irregular Transactions**

-----

Repairs amounting to Rs.459,905 had been made to the cab bearing No.WPPF – 5488, the tractor bearing No.SG RC – 1401 and the cabs bearing No.SGGE 8582 and No.LF-4833. Proper certification had not been done by the technical officer in this regard before/ after repairs.

### **3.2 Operating Inefficiencies**

-----

The arrears of loan balances of Rs.25,200 due from 3 officers of the Sabha who had retired/ gone on transfers had not been recovered even by 21 November 2015, the date of audit.

### **3.3 Dormant Account**

-----

A balance of Rs.170,785 was observed in the Library Security Deposit Account and it was the balance outstanding for many years. Action had not even been taken to credit it to revenue treating it as lapsed deposits.

### **3.4 Assets Management**

-----

#### **(a) Idle and Under Utilized Assets**

-----

The following observations are made.

- (i) A motor grader and a Leyland Tipper bearing No.LK-9601 and a concrete mixing machine of the Ministry of Disaster Management received by the Sabha were lying in the premises of the Sabha as they were not suitable for usage at the Sabha and the roads of the Pradeshiya Sabha were not satisfactory enough for their usage.
- (ii) The Becko Loader bearing No.WPZA-5020 received from the Ministry of Public Administration, Local Government and Democratic Administration on 20 May 2015 remained idle in the premises of the Sabha due to lack of an operator.
- (iii) A sum of Rs. 4,249,925 had been paid during 2015 to concrete the road by laying small concrete stones. The Sabha Posessed a machine for preparing small concrete stoned. But, the machine remained inoperative for about one year. As such, the revenue receivable by the Sabha had been deprived of.

#### **(b) Annual Board of Survey**

-----

The Sabha had decided to dispose of 04 vehicles, machinery and equipment since they were in a dilapidated condition. Although, this decision had been made at the general meeting held on 20 February 2015, no action had been taken in this regard even by end of the year under review and they were lying in the premises of the Sabha.

### **4. Good Governance and Accountability**

-----

#### **4.1 Annual Procurement Plan**

-----

An annual procurement plan for the year under review had not been prepared and action taken accordingly.

#### **4.2 Internal Audit**

-----

Action had not been taken to establish an internal audit unit and to operate it by providing necessary facilities.

### **4.3 Implementation of Audit and Management Committees**

---

Action had not been taken to establish and implement Audit and Management Committees.

### **5. 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