

Ambangangakorale Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 12 May 2017 and the financial statements for the preceding year had been presented on 24 June 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 Ambangangakorale Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended are in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) The value of Mattihakka Multi-purpose Building amounting to Rs.39,188,670 and the value of 308 equipment and fittings in above building had not been capitalized.
- (b) The value of Jesar Watta community hall had not been assessed and brought in to account as at the end of the year under review.
- (c) Office equipment account had been overstated by Rs.30,632.
- (d) Value of a donated garbage cart and value of Rs.125,000 of the JB-2773 tractor trailer had not been brought in to account.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

The balances of 7 accounts receivable aggregated to Rs.10,374,426. The balances of Rs. 1,425,441 remaining unsettled for over 3 years had been included therein.

(b) Accounts Payable

Following matters are observed

- (i) The balances of 8 accounts payable amounted to Rs.7,894,048. The balances of Rs.1,748,297 remaining unsettled over 3 years had been included therein.

- (ii) A balance of Rs.626,974 existing over 7 years to be remitted to the Local Government Pension Fund.

1.3.3 Lack of Evidence for Audit

Seven items of accounts aggregating Rs.8,146,624 could not be satisfactorily vouched in audit due to non- rendition of adequate evidence.

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

The instances of non-compliance with laws,rules and regulation etc.,are as follows.

Reference to Laws , Rules, Regulations etc.,	Non –compliance
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(a) 1988 Pradeshia Sabha (Finance and Administration) Rule 218	Land and buildings owned by the Sabha had not been verified.
(b) Segment No vi of the Circular No 3/2014(i) dated 10 March 2015 Secretary of the Treasury and Letter No 3/2/1/23 dated 26 August 2015 Of the Commissioner of Central Province Local Government.	Even-though after presenting the telephone bills incurred over the approved limit of Rs. 2,000, up to Rs. 4,000 bills could be reimbursed. Without such reimbursement Rs.4,000 allowance had been affixed to the Sabha Secretary's salary and had been paid Rs.24,000 in year 2016 against the given instructions.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.990,615 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.532,059 resulting in an improvement in financial results of the year under review by Rs.458,556.

2.2 Analytical Financial Review

Increase in revenue by Rs.961,819 in 5 items of revenue and decrease in expenditure by Rs.541,200 in 2 objects resulted in the improvement of Rs.458,556 in financial results.

2.3 Revenue Administration

2.3.1 Lease rent

The arrears of lease rent as at 31 December of the year under review amounted to Rs. 23,430.

2.3.2 Other Income

(a) Water Charges

The arrears of water charges of the 7 water schemes owned by the Sabha amounted to Rs. 338,704 as at 31 December 2016. A balance of Rs.31, 475 recoverable from 22 customers from year 2013 had been included therein.

(b) Acreage Tax

The arrears of acreage tax amounted to Rs.58,549 as at 31 December of the year under review.

2.3.3 Court Fines and Stamp Fees

Court Fines of Rs.40,000 and stamp fees of Rs.1,290,000 remained recoverable as at December 2016 of the year under review.

3 Operating Review

3.1 Performance

Six projects which are essential for the improvement of common amenities of the area had not been implemented over several years, and 16 projects with the estimated value of Rs. 19,500,000 as proposed by the 2016 development plan also had not been implemented.

3.2 Management Inefficiencies

The following matters are observed

- (a) Value of 2 buildings amounted to Rs.144,000 which do not have a physical existence had been omitted from the accounts without any attestation from a physical verification and proper approval.
- (b) 16 vacancies exist with regard to 9 approved designations.
- (c) Title deeds for 51 community wells,13 cemeteries and survey plans for 4 lands and 8 buildings had not been there. Further the Loluwala Gamsabha office land and Ahalagasthenne Community Hall land had not been secured by placing boundary fences.
- (d) Action had not been taken by the Pradeshiya Sabha to acquire the ownership of 4 vehicles those are in use.
- (e) Action had not been taken to identify and settle 11 deposit balances amounting to Rs.111,833 remaining from year 2009 and 2013.

- (f) Whether there is a vacancy of watcher position in the approved cadre, without filling that vacancy a watcher had been recruited in days' pay basis for the Matihakka Multipurpose Building and paid Rs.283,018 as salaries.

3.3 Operating Inefficiencies

The following matters are observed.

- (a) Without taking the recommendations of the Public Health Inspector and the Environment Officer trade license had been issued for 20 businesses in risky nature.
- (b) According to the register of unauthorized constructions, legal action had not been taken regarding 5 unauthorized constructions identified in year 2012.
- (c) From 13 building applications received within the year under review, only 6 applications had been approved and Compliance certificates had not been issued.
- (d) Losses register and inventory for computers and equipments had not been maintained.

3.4 Idle and Under Utilized Assets

Six vehicles owned by the Sabha had been idled from 1 to 8 year period, and 2 buildings remain idle without using for several years.

3.5 Identified Losses

The following matters are observed.

- (a) Against the Public Administration circular No.25/2014 dated 12 November 2014, 4 permanent appointments had been presented for 3 designations and later the appointments were cancelled. Due to that the said persons filed a case against the Sabha on Supreme Court on 25 September 2016. Lawyer fees amounting to Rs.300,000 have borne for that case was a loss for the Sabha due to taking action against circulars and without having proper advice.
- (b) Sabha had not been undedrtaken the ownership of No.252-6519 double cab. Therefore,when paying vehicle revenue license fees for 18 years, an additional expense of Rs.47,970 had been paid as service charge and fines, which was a loss for Sabha fund.

3.6 Contract Administration

Constructing a well near Kalu ganga and supply water for a water scheme

A well and a pump house had been constructed by spending Rs.1,685,451 under the Community Water Supply and Sanitary Project. The land where the well and pump house situated had not been acquired to the Pradeshiya Sabha or community water committee ,and due to non availability of electricity supply for the project and without fixing the water pump, the water supply had not been started even till 13 March 2017.

3.7 Delays in Projects

Action had not been taken to fulfill 4 projects proposed to implement during the year under review with the provision of Rs. 1,850,000, under the Strengthening of Pradeshiya Sabha Programme.

4 Accountability and Good Governance

4.1 Internal Audit

An internal audit method had not been adopted in terms of Rule 5(7) of the 1988 Pradeshiya Sabha (Finance and Administration) code of rules.

4.2 Audit and Management Committees

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

4.3 Budgetary Control

The following matters are observed.

- (a) None of the revenue of Rs. 170,000 estimated for 11 items of revenue had been earned. Variance ranging from 28 to 305 percent existed between the estimated and actual revenue of 24 items of revenue.
- (b) Provisions made for 15 items of expenditure amounted to Rs.390,000. This had been saved without any expenditure being incurred. The variance between the net provision and the actual expenditure of 28 items ranged from 10 to 100 percent.
- (c) Significant variances were observed between the budgeted and actual revenue and expenditure consequent to the transfer of provisions among the items of revenue and expenditure during the year under review showing that the budget had not been utilized as an effective instrument of management control.

5. Systems and Controls

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

- (a) Debtors' and Creditors' control.
- (b) Staff Management.
- (c) Assets Management.
- (d) Budgetary Control.