

Ambagamuwa Pradeshiya Sabha
Nuwara Eliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year under review had been presented to Audit on 31 March 2017 while financial statements relating to the preceding year had been presented on 27 March 2016. The Auditor General's Report relating to the year under review had been sent to the Secretary of the Sabha on 15 August 2017.

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 Ambagamuwa Pradeshiya Sabha as at 31 December 2016 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

The following accounting deficiencies were observed.

- (a) According to the financial statements, the number of hand carts belonging to the Sabha as at 31 December of the year under review stood at 85 and the value thereof amounted to Rs.786,970. However, the actual number of hand carts belonging to the Sabha as at that date stood at 29 and the value thereof had not been computed.

- (b) The value of 7 plots of land of 11 acres and 2 roods in extent had been indicated as a very low value of Rs.34,000. As such, the fair value of lands had not been shown in the financial statements.
- (c) A portion of land of 1 rood and 33 perches in extent from the land of the Gamsabha Office , with an extent of 2 acres which had been included in the financial statements for the value of Rs.17,000, had been sold for Rs.3,500,000 to the National Water Supply and Drainage Board. Nevertheless, it had been brought to account by considering that the entire land itself belongs to the Sabha.
- (d) Debtors amounting to Rs.640,390 had been computed twice as at 31 December of the year under review.
- (e) Even though moneys had been received for the dishonoured cheques valued at Rs.117,617 by 31 December of the year under review, the value of those dishonoured cheques had been shown in the balance sheet under the money recoverable.

1.3.1 Accounts Receivable and Payable

(a) Accounts Receivable

The value of balances of 2 accounts, receivable as at 31 December of the year under review, that had elapsed a period ranging from 3 years to 9 years totalled Rs.925,474.

(b) Accounts Payable

The value of 2 deposit balances unsettled as at 31 December of the year under review, that had elapsed a period ranging from 01 year to 5 years amounted to Rs.6,499,033.

1.3.3 Lack of Documentary Evidence for Audit

Creditors valued at Rs.638,021 could not be satisfactorily vouched in audit due to non-submission of schedules.

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 of the year under review amounted to Rs.9,910,676 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,479,851, thus indicating a decline of Rs.2,569,175 in the financial result.

2.2 Analytical Financial Review

The change in other items of revenue and expenditure including the decrease in the revenue of 3 items of revenue and the increase in the expenditure of 4 items of expenditure had been the main reason for the decline in the financial result by Rs.2,569,175.

2.3 Working Capital management

In the comparison of current assets with current liabilities on 31 December of the year under review, the current ratio had been at a weak level as 0.9:1. Moreover, out of the current assets amounting to Rs.107,167,092, a sum of Rs.73,623,239 had been industrial debtors. As such, 68 per cent out of current assets had been industrial debtors and the balance of the Cash Book as at 31 December of the year under review was a negative value of Rs.437,547.

2.4 Revenue Administration

According to the information of revenue, submitted by the Secretary of the Sabha, the arrears of revenue amounting to Rs.3,515,483 had not been recovered as at 31 December of the year under review.

2.4.1 Other Revenue

(a) Action had not been taken to impose By Laws and **collect revenue** from the following businesses from which revenue can be collected within the area of authority of the Sabha.

- (i) Motor vehicles station
- (ii) Private telephones, radios and television transmission towers
- (iii) Mini hydro power stations
- (iv) Display of hoardings

(b) Lease out of Public Latrine

According to the agreement entered into on 23 November 2015, pertaining to leasing out of public latrine belonging to the Sabha for the year 2016, out of the Tender value amounting to Rs.600,000, a sum of Rs.300,000 and the remaining amount should be recovered on that day and on or before 30 June 2016 respectively. However, no amount whatsoever had been recovered on 23 November 2015 on which the agreement had been signed. Only a sum of Rs.30,000 had been received on 12 February 2016 and thereafter, no amount whatsoever had been received up to 30 June 2016. Subsequently, a sum of Rs.340,000 had been received in 4 instances and the remaining arrears amounting to Rs.230,000 had not been received even by 10 January 2017.

2.4.2 Court Fines and Stamp Fees

The court fines receivable as at 31 December of the year under review from the Chief Secretary to the Provincial Council and other authorities amounted to Rs.3,501,524.

3. Operating Review

3.1 Management Inefficiencies

(a) New counterfoil books had been issued without taking over the 123 counterfoil books which were used completely.

(b) The roof, floor and doors etc, of the Ayurvedic Medical Centre Kiriwaneliya, belonging to the Sabha had been in dilapidated condition and electricity facilities had not been supplied adequately. Moreover, drugs had been stored improperly due to lack of storing facilities. Further, official quarters of the Ayurvedic Medical Officer had been in dilapidated condition and toilet and electricity facilities had not been supplied therefor.

(c) Even though payments should not be made so as to occur overdrafts in State bank accounts in terms of Financial Regulation 387, cheques had been written so as to create negative balances in cash books relating to two bank accounts.

3.2 Operating Inefficiencies

It had been identified at the Boards of Survey relating to the year 2015 that 1,929 books valued at Rs.228,023 had been misplaced in 10 libraries belonging to the Sabha. However, no action whatsoever had been taken in that connection.

3.3 Idle and Underutilized Assets

A motor car and 2 motor cycles belonging to the Sabha had been removed from running for a period ranging from 1 year to 2 years without being repaired and used or taken a proper action.

3.4 Identified Losses

A normal camera and a video camera valued at Rs.103,400, owned by the Sabha had been misplaced and no action whatsoever had been taken in that connection.

3.5 Contract Administration

(a) A sum of Rs.24,584 had been paid for work not done in fixing Aluminum doors and windows of a preschool which was constructed by using financial provisions of the Ministry of Local Government. Even though a sum of Rs.29,126 had been paid for fixing a water tank of 1000 liters in capacity for water requirement of this preschool, a water tank of 500 liters in capacity had been fixed.

(b) Nineteen projects for which capital expenditure of Rs.268,781,961 had been included in the budget of the year under review, had not been operated in the year under review.

3.6 Solid Waste Management

The following observations were made in respect of the Peraseri Project carried out for the management of solid waste collected within the area of authority of the Sabha.

(a) Seven thousand kg of manufactured Compost fertilizer, had been stored over a period of one year and a proper procedure had not been implemented for sale of them. As such, there had been limited space for the storage of newly manufactured fertilizer and it caused to neutralize the activeness of fertilizer.

(b) As the net of the machine which is used for processing of solid waste had decayed, the machine had been removed from use for a period about 7 months.

(c) Polythene in solid waste had been covered with soil near the Peraseri Centre without processing and certain parts of polythene had scattered on the land.

(d) A large number of unusable empty bottles of various types had been collected on the land of the Centre.

(e) An adequate number of employees had not been deployed for the proper maintenance of activities of the Centre.

3.7 Issue of Environment Protection Licence

New licences had not been issued for 9 projects for which licences should be renewed in terms of the National environment Act, No.47 of 1980 amended by Acts No.53 of 2000 and No.56 of 1988 and Regulations stipulated therein and the Gazette Extraordinary No.1533/of 25 January 2008.

4. Accountability and Good Governance

Budgetary Control

According to the Budget prepared for the year under review, variances ranging from 7 per cent to 51 per cent in 06 items of revenue and from 19 per cent to 77 per cent in 06 items of expenditure were observed between the estimated revenue and expenditure and the actual revenue and expenditure, thus indicating that the Budget had not been made use of as an effective instrument of control.

5. Systems and Controls

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

Areas of Systems and Controls -----	Observations -----
(a) Revenue Administration	Failure to recover arrears in revenue receivable to the Sabha.
(b) Debtors/Creditors Control	Failure in settling money receivable to the Sabha and money payable by the Sabha.
(c) Assets Control	Improper maintenance of assets belonging to the Sabha and Failure in taking action to protect them.
(d) Accounting	Occurrence of various deficiencies in accounting assets and liabilities relating to the year of accounts.