

**Ambalanthota Pradeshiya Sabha**  
**Hambanthota District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 30 March 2017 while Financial Statements relating to the preceding year had been submitted on 31 March 2016. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 18 August 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the AmbalanthotaPradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Policies**

The financial statement had not been disclosed the basis followed when accounting, the information regarding the accounting entity and the investments and interest on investments.

**1.3.2 Accounting Deficiencies**

The following accounting deficiencies are observed during the course of audit.

- (a.) The cost of fixed assets amounted to Rs.760,753 had been written off by the financial statements which auctioned and discarded by the recommendations of Board of Survey Report-2016.
- (b.) Assets purchased during the year under review amounted to Rs.543,546 had not been accounted under the Capital Assets.
- (c.) Debtors provisions had not been made for the amount payable Rs.55,826 for the Developing Debarathuduwa by road.
- (d.) Instead of accounting under stocks of General Stores and Electronic Equipment Stores, the Purchases amounted to Rs.96,479 had been accounted as Capital Assets.
- (e.) Fixed deposit interest had been understated by Rs.2,008 and interest on State Securities had been overstated by Rs.60,139 during the year under review, therefore the investment account balance had been overstated by Rs.60,139 because of the overstating of the interest on State Securities.

**1.3.3 Unreconciled Control Accounts**

Differences had been observed between the total balances of 10 items of accounts amounted to Rs.717,879 and their balance in the registers and schedules.

#### **1.3.4 Accounts Receivable and Payable**

##### **(a.) Accounts Receivable**

- (i.) Tax income had been receivable for the years 2009 and 2010, which had been filed cases against amounted to Rs.1,737,341.
- (ii.) An amount of Rs.1,550,229 had been recoverable for renting out the vehicles for the period from the year 2013 to 31 December 2016.
- (iii.) Development Grants for the years 2014 and 2016 had been recoverable totaled to Rs.646,916.
- (iv.) Advances had not been settled given on 03 instances totaled to Rs.59,580 at the end of the year under review.

##### **(b.) Accounts Payable**

- (i.) The sundry debtors balances had been payable for the years 2014 and 2015 totaled Rs.4,320,107.
- (ii.) Loan installments of the Local Loans Development Fund payable for the year under review had not been settled amounted to Rs.1,084,024.
- (iii.) Liabilities not settled totaled to Rs.18,660,699 for the year under review.

#### **1.3.5 Lack of Evidence for Audit**

Updated Fixed Assets Register, Lands and Buildings Register, Schedules, Board of Survey Reports and title deeds/vesting orders on Lands and Buildings totaled to Rs.63,346,956, receivable rates and tax schedules and time analysis on receivable tax totaled to Rs.5,239,811, detailed schedules regarding deposits and time analysis on Deposits totaled to Rs.12,763,706, Deposits Register on Library Deposits and detailed schedules and time analysis on Library Deposits totaled Rs.94,955 had not been furnished therefore had not been satisfactorily investigated in the audit.

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

The following instances of non-compliance with laws, rules and regulations were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.,</u> -----	<u>Non-compliance</u> -----
(a) Pradeshiya Sabha Financial and Administrative Rules of 1988 Rule 217 and 218	Action had not been taken to update the register including the information regarding all the lands and buildings possessed and utilized by the Sabha under format P.S.46.
(b) Financial Regulations of the Republic of Sri Lanka -----	
(i.) Financial Regulation 396(d)	Action had not been taken on 03 cheques overdue, that issued but not offered for payments totaled to Rs.15,345.
(ii.) Financial Regulation 571	Action had not been taken to disposition of 18 deposit balances expired amounted to Rs.756,547.
(c) Paragraph 4.3 (b) and (e) of the letter of the Director of Public Finance No.PED/RED/2015/08 General(i) of 09 October 2015.	Action had not been taken to recover distress loan balance of Rs.102,190 of an officer retired before the settling the loan and loans and advances of 04 officers dismissed, interdicted and resigned totaled to Rs.236,269.

## 2. Financial and Operating 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 2016 amounted to Rs.21,017,438 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.5,607,200. Accordingly, an improvement amounting to Rs.15,410,238 is shown in the financial results of the year under review.

## **2.2 Analytical Financial Review**

The following matters are observed.

- (a.) Recurrent expenditure was at a high rate of 78 per cent of the recurrent revenue of the year under review.
- (b.) A Considerable improvement had been shown in Revenue Aids and Self-generated income during the year under review compared to the preceding year.
- (c.) Recurrent expenditure had been exceeded the self-generated income in considerable amounts during the year under review as well as the preceding year.

## **2.3 Working Capital Management**

Current and Quick ratios had been disclosed a favourable state compared to the year 2014 in the year 2015 and during the year under review. However it had been observed that the liquid state that indicated in terms of the ratios had not been existed because receivable creditors balances amounted to Rs.41,752,369 had been included in the Current Assets.

## **2.4 Revenue Administration**

### **2.4.1 Performance of Revenue Collection**

The following observations are made on performance of revenue collection as at 31 December 2016.

- (a.) Revenue had been collected amounted to Rs.25.78 million, from the revenue billed amounted Rs.45.85 million during the year under review. Accordingly the progress of the performance of collection of revenue had been 56 per cent.
- (b.) The sum of revenue receivable at the beginning of the year under review had been Rs.20.83 million, from that Rs.9.75 million had been recovered. Accordingly the progress of receivable revenue collection had been 47 per cent.

### **2.4.2 Rates and Taxes**

Opening deficit had been Rs.5,440,227 and with the billings amounted to Rs.3,496,717, amount receivable had been Rs.8,936,944. An officer had been appointed extra for the post of Revenue Investigator even though 03 Revenue Investigators had already been in the Staff of the Sabha, proper action had not been taken to recover the rates and taxes under the Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987, therefore it had been recovered 42 per cent from the billings and 39 per cent from the opening deficit.

### **2.4.3 Lease Rent**

Stalls had to be assessed every 05 years and amended the lease rent under Paragraph 6 of the Circular No. 433/පළාතොස්/2010/01 of Commissioner of Southern Provincial Council on 27 December 2010 and the stalls agreement had to be updated every 03 years under the Paragraph 5 of the above Circular. But action had not been taken at the end of the year under review.

#### **2.4.4 Licence Fees**

Licence Fees receivable at the end of the year under review had been amounted to Rs.73,800 from that, an amount of Rs.70,800 had been for preceding years. Action had not been taken to recover those licence fees under Sections 149, 150 and 152 of Pradeshiya Sabha Act No.15 of 1987.

#### **2.4.5 Other Revenue**

Revenue by issuing vehicles owned by the Sabha had not been recovered amounted to Rs.1,042,128 as at 31 December 2016, proper action had not been taken to recover the deficit. That receivable income had been included a balance of Rs.954,128 for the years 2013,2014 and 2015.

#### **2.4.6 Hoarding Charges**

Hoarding Charges had not been recovered for the Name Boards in Sabha territory under Section 126(XXX) of Pradeshiya Sabha Act No.15 of 1987, therefore recoverable hoarding charges had been Rs.222,300 at the year under review.

#### **2.3.4 Court Fines and Stamp Fees**

Court Fines Rs.7,468,958 and Stamp Fees Rs.8,647,000 were receivable from the ChiefSecretary to the Southern Provincial Council and other authorities as at 31 December 2016.

### **3. Operating Review**

#### **3.1 Idle and Underutilized Assets**

Stocks regarding the tube wells and water projects totaled to Rs.100,294 had been idled without utilizing from the years 2004 and 2008.

#### **3.2 Operational Inefficiencies**

The following matters are observed.

(a.) Agreements had been signed on 18 December 2015 to lease out the Amabalanthota Weekly Fair for Rs.6,651,300. The Lease agreements had been canceled on 31 May 2016 because the lease rent had not been paid properly in terms of agreement by the lessee.

Following observations are made regarding this matter.

(i.) Another lessee had been asked for the right to collect the tax from the Weekly Fair for Rs.2,345,000 on 23 May 2016 and the agreement had been signed on 27 May 2016.

(ii.) The second lessee also had not been paid the lease rent in terms of the agreement as well as the first lessee, therefore an amount of Rs.1,737,436 had been lost for the Sabha including a late penalty amounting to Rs.1,282,436 and bid money loss for the time from June to December 2016 amounting to Rs.455,000.

(b.) Shortages of Goods

Even though Board of Survey Report for the year 2016 had been revealed a shortage of 15 units of goods, action had not been taken to identify the offensive officers to delegate responsibilities and recover the value.

**3.3 Solid Waste Management**

The following matters are observed.

(a.) Land had not been taken over by the Sabha that used for dumping garbage and holding the Compost Yard.

(b.) Waste had not been managed as to cover the whole Sabha territory and action had not been taken to impose garbage tax and cover the expenditure.

**3.4 Vehicles Control**

The following matters are observed.

(a.) Action had not been made to take over the possession of 04 vehicles received by the Sabha from Public and Private Institutions during the year 1993 to the year 2014 as at 19 May 2017.

(b.) Even though a vehicle from the year 2012 and 03 vehicles from the year 2014 had been idled and action had not been taken under the Ministry of Finance Circular No.02/2015 on 10 July 2015 to repair and reuse or discard those vehicles.

**3.5 Human Resource Management**

There had been an excess of 07 persons including 02 persons of the posts of approved cadre as at 31 December and 08 vacancies for 05 posts during the year under review. Action had not been taken to fill the vacant posts and to regulate the excess amount by the Sabha.

**4. Good Governance and Accountability**

**4.1 Budgetary Control**

It was observed that provisions amounted to Rs.45,698,500 made for 26 items of expenditure had been completely left, savings of provisions made on 159 items of expenditure totaled to Rs.87,550,365 , and 05 items of revenue objectives that had not been achieved amounted to Rs.72,462,000, so the budget had not been used as an effective management control tool.

**4.2 Procurement Plan**

A procurement plan had not been made by the Sabha for the year under review.

**4.3 Audit and Management Committee**

Action had not been taken, even by the end of the year under review, to establish an Audit and Management Committee in terms of the Management Audit Circular No.DMA/2009(1) dated 09 June 2009.

**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.) Fixed Assets Control
- (d.) Budgetary Control