

Aranayaka Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 February 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 22 June 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 Aranayaka Pradeshiya Sabha as at 31 December 2016 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 Deficiencies

The following matters were observed.

- (a) As retention money of 10 per cent relating to 09 works executed during the year under review under the provisions of the Ministry of Sabaragamuwa Provincial Land, Provincial Irrigation, Animal Production and Animal Health and Fisheries had not been brought to account resulting in an understatement of capital grant and capital expenditure by Rs. 255,995 each during the year under review.
- (b) Even though, the finished work value of two works implemented under general funds in 2016 had been Rs. 1,235,973 the provisions of Rs. 1,300,000 had been made for creditors, as such the surplus in the year under review had been understated by Rs. 64,027 and the creditors as at 31 December 2016 had been overstated by similar amount.
- (c) A sum of Rs. 10,000 received as entertainment tax during the year under review had been credited to the deposit account. As such the surplus for the year under review had been understated by Rs. 10,000 and the balance of the deposit account as at 31 December 2016 had been overstated by similar amount.
- (d) The employees security deposits relating to 36 officers employed in the Sabha had been Rs. 157,983 whereas such amount was brought to account as Rs. 163,323. As such employees security deposits and the employees security deposits payable as at 31 December 2016 had been overstated by Rs. 5,340.

1.3.2 Unreconciled Control Accounts

According to the financial statements, the balances of 02 items of accounts aggregated Rs. 9,728,412 as at end of the year under review and the balances aggregated Rs. 8,715,148 according to the subsidiary registers and reports resulting in a difference of Rs. 1,013,264.

1.3.3 Suspense Account

Action had not been taken to settle during the year under review too, the credit balance of the Suspense Account amounting to Rs.672,333 which continues to be brought forward for 13 years.

1.3.4 Accounts Receivable and Payable

Accounts Receivable

The balances of accounts receivable for over 01 year as at 31 December 2016 totalled Rs. 4,054,877.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

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

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

Non-compliance

**(a) Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka**

F.R. 110

As the Register of Losses and Damage had not been maintained by the Sabha, losses caused to 02 motor vehicles, Backhoe machine and losses caused due to the explosion of the crematorium totalling Rs. 1,710,219 during the years from 2012 to 2015 and losses caused to cab vehicle and the Backhoe Loader machine of the Sabha during the year amounted to Rs. 587,169, and Rs. 2,297,385 respectively had not been recorded in a Register of losses.

F.R. 371

The advances valued at Rs. 45,683 granted in 07 instances from the year 1999 to the year 2000 had not been settled.

F.R. 1645(a)

The log books maintained in respect of 15 motor vehicles belonging to the Sabha had not been updated.

F.R. 1646

The delays ranging from 08 months to 02 years were shown in furnishing of Running Charts relating to 04 motor vehicles of the Sabha and Running Charts for 06 motor vehicles had not been furnished.

(b) Public Administration Circular No. 30/2016 dated 29 December 2016

Fuel tests for the vehicles of the Sabha had not been carried out as required by the Circular.

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 2016 amounted to Rs. 9,011,086 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 9,930,290 indicating a deterioration in financial results of the year under review amounting to Rs. 919,204.

2.2 Analytical Financial Review

The decrease in 03 items of revenue and the increase in 05 items of expenditure had mainly attributed to the deterioration in financial results by Rs. 919,204.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The information relating to revenue billed, actual revenue and the arrears of revenue, as presented for the year under review appears below.

Source of Revenue	Arrears as at 31 December 2016						
	Arrears as at 01 Jan. 2016	Recoveries out of the arrears as at 31 Dec. 2016	Amount billed for 2016	Recoveries out of the amount billed for the year	Arrears as at 01 Jan. 2016	Arrears out of the amount billed for the year	Total Arrears
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
(i) Rates and Taxes	820	567	2,633	2,455	253	178	431
(ii) Lease Rent	319	44	73	73	275	-	275
(iii) Licence Fees	1	-	169	162	1	7	8
(iv) Other Revenue	13,281	7,662	38,963	25,573	5,619	13,390	19,009
Total	14,421	8,273	41,838	28,263	6,148	13,575	19,723

2.3.2 Fees on Lands Fragmentation and Sales

The fees amounting to Rs. 172,145 or 1 per cent recovered from fragmentation and sales of the lands within the authoritative area of the Sabha had been retained in the Deposit account.

2.3.3 Fees on Permanent Advertising Hoardings

Even though, the fees should be recovered at the rate of Rs. 50 per square feet from permanent advertisement hoardings displayed within the authoritative area, a sum of Rs. 15,850 had not been recovered from 21 permanent advertising hoardings displayed.

2.3.4 Arrears of Trade Stall Rent

Action had not been taken to recover arrears of trade stall rent amounting to Rs. 5,838 due from 02 trade stalls of the Dippitiya Public Market.

2.3.5 Court fines and Stamp fees

The Court fines and Stamp fees due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016 amounted to Rs. 2,197,373 and Rs. 14,085,124 respectively.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) The unserviceable parts removed from the motor vehicles in the repairs and tyres, tubes and batteries etc, removed from the vehicles had not been duly recorded.
- (b) As the number of Drivers stood at only 05 for 19 vehicles, the motor vehicles of the Sabha had remained underutilized.
- (c) Action had not been taken for vesting the ownership of 11 motor vehicles to the Sabha received from various institutions such as Ministry of Local Government, and Provincial Council etc, and from the projects valued at Rs. 33,021,588.

3.2 Operating Inefficiencies

The following matters were observed.

- (a) As essential drugs were not made available in the Ayurvedic Dispensary, Dippitiya throughout a period of 01 month, the service for the patients had not been duly established.
- (b) A sum of Rs. 692,421 granted by the Ministry of Public Administration, Local Government, and Democratic Administration for the National Programme for Strengthen the Pradeshiya Sabha under Budget Proposals 2015, had been retained in the General Deposit Account without being utilized for respective purposes.

3.3 Solid Waste Management

A proper project for disposal of solid waste had not been implemented by the Sabha and the garbage collection in the authoritative area of the Sabha had been disposed to a pit in the Polambegoda General Cemetery.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) One hundred per cent of the provisions aggregating Rs. 100,000 made for 05 Objects and 40 to 98 per cent of the provisions aggregating Rs. 801,041 made for 04 Objects in the Budget relating to the year under review had not been utilized.
- (b) The Sabha had failed to earn revenue totalling Rs. 294,449 ranging from 72 to 88 per cent of the estimated revenue of 04 Revenue Heads.

4.2 Internal Audit

Even though, the implementation of an adequate internal audit was an activity of the competent authority in terms of the Rule 5(7) of 1988 Pradeshiya Sabha set of Rules (Finance and Administration), action had not been taken accordingly.

5. Systems and Controls

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

System

Observation

- | | |
|----------------------------|---|
| (a) Accounting | (i) Not updated Deposit Registers.
(ii) Not updated Register of Fixed Assets.
(ii) Action not taken to settle the old Suspense Account balance. |
| (b) Budgetary Control | (i) Significant savings were in the expenditure provisions.
(ii) Non – recovery of estimated revenue. |
| (c) Revenue Administration | Non – recovery of arrears of revenue. |
| (d) Motor Vehicle Control | (i) Non - furnishing Daily Running Charts.
(ii) Not updated vehicle Log Books.
(iii) Not carried out fuel tests of the vehicles. |