

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 29 March 2017 and the financial statements for the preceding year had been presented on 08 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 06 September 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 Ayagama 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.

1.3.1 Unreconciled Control Accounts

A difference of Rs.10,275,834 was observed between the balances as per the financial statements as at the end of the year under review and the balances as per the subsidiary registers relating to 05 items of accounts.

1.3.2 Lack of Written Evidence for Audit

The title deeds relating to 06 lands and cemeteries were not made available in the Sabha and the title deed and the plan relating to one land were not made available.

1.3.3 Transactions without Adequate Authority

The arrears of rent income totalling Rs.298,414 had been written off without the authority of the Commissioner of Local Government.

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.1,030,491 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,588,026 indicating a decrease of financial results amounting to Rs.557,535 as compared with the preceding year.

2.2 Analytical Financial Review

The decrease of 02 items of revenue by Rs.4,138,153 and increase of 02 items of expenditure by Rs.137,680 had mainly attributed to the decrease of the financial results by Rs.557,535.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appears below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	520	615	216
Lease rent	3,552	3,459	11
Licence Fees	253	480	17
Other Revenue	21,085	18,450	7,235

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue with the revenue collected for the year under review showed an increase in revenue collected with regard to the revenue items such as rates and taxes, license fees and service charges by 44 per cent, 31 per cent and 118 per cent respectively and revenue collected with regard to the revenue items such as warrant charges and fines and other revenue had decreased by 30 per cent and 70 per cent respectively as compared with the estimated revenue.

2.3.3 Lease Rent

The lease rent recoverable from 11 trade stalls totalling Rs.794,521 as at 31 December 2016 had not been recovered even by August 2017.

2.3.4 Other Revenue

The arrears of water charges totalling Rs.19,840 receivable as at 31 December 2016 in respect of 11 water supply schemes implemented by the Sabha had not been recovered even by August 2017.

3. Operating Review

3.1 Performance

Forty nine works which estimated value amounting to Rs.16,149,897 under Strengthen of Pradeshiya Sabhas Programme, Upgrading of Capital Programme of Infrastructure Facilities of Local Government Institutions and under Decentralized Funds and Provincial Council Funds had been planned to implement. Nevertheless, 20 works only had been completed by incurring Rs.6,331,835.

3.2 Operating Inefficiencies

The following matters were observed.

- (a) The work for constructing of fences around the lands and cemeteries belonging to the Sabha had not been carried out even by August 2017.

- (b) A sum of Rs.75,000 had been allocated to provide grants for constructing lavatories in the year 2016 under Health Services Programme and selected 14 beneficiaries. However, no grants had been provided for any of the beneficiary.
- (c) Even though, a sum of Rs.50,000 had been allocated for the year 2016 for the maternity and children clinics under Health Services Programme, only a sum of Rs.9,600 had been incurred for one maternity and childrens clinic.
- (d) The value of 03 payable balances of accounts brought forward for a long period amounted to Rs.1,079,017 and action had not been taken to adjust the relevant accounts or to settle for the respective parties.

3.3 Idle and Under Utilized Assets

The following matters were observed.

- (a) Even though, the construction of Ayagama Weekly Fair with 56 trade stalls incurring Rs.9,821,210 under Puraneguma Programme had been completed in the year 2015, those buildings had remained idle without earning revenue from those even by January 2017.
- (b) Action had not been taken as at August 2017 either to make repairs for running condition for 04 motor vehicles and machineries belonging to the Sabha which remained un utilized for a period from 02 years to 04 years or to dispose them and a motor grader received from the Ministry of Provincial Councils and Local Government had remained idle for 02 years due to the difficulties of utilizing.

3.4 Solid Waste Management

In the event of disposing of waste, the Sabha had not followed a proper methodology to dispose or destroy the waste and the decayable waste had been buried in the pits dug closed to the playground of Ayagama town and the solid waste not decayable had been packed in the covers and dumped in the premises of the Sabha.

4. Good Governance and Accountability

4.1 Budgetary Control

The following matters were observed.

- (a) The entire provisions made for 41 Objects totalling Rs.1,239,100 in the year under review had not been utilized.
- (b) Out of the entire provisions made for 10 Objects totalling Rs.1,757,644 in the year under review, provisions ranging from 85 per cent to 99 per cent had been saved.

4.2 Annual Procurement Plan

An annual procurement plan for the year under review had not been prepared.

5. Systems and Controls

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

System

Observation

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| (a) Accounting | Unreconciliations between financial statements and schedules. |
| (b) Revenue Administration | (i) Non-recovery of due revenue.
(ii) Not identified due revenue. |
| (c) Assets Management | Existence of idle and underutilized assets. |
| (d) Budgetary control | Savings on provisions. |