

**Alayadivembu Pradeshiya Sabha**

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**Ampara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year 2016 had been submitted to Audit on 20 March 2017 and financial Statements for the preceding year had been submitted to Audit on 18 February 2016 respectively while the Auditor General's Report relating to the year 2016 was sent to the Secretary of the Sabha on 12 October 2017.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Alayadivembu 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**

Following accounting deficiencies were observed.

- (a) Even though ownership of 11 vehicles valued Rs. 4,950,000 had been transferred to the Sabha, the value of those vehicles had not been taken to accounts.
- (b) Forty five types of office furniture had been sold by auction in the year under review for a sum of Rs. 210,000 and 21 types of office furniture had been destroyed but action had not been taken to estimate the cost and withdrawn from the accounts.

**1.3.2 Receivables**

Receivable loan balance of Rs. 65,070 from 04 deceased officers from the year 1991 had been shown in the financial statement continuously without taking action to recover from their gratuity or guarantors.

**1.3.3 Non-compliance with the Laws, Rules and Regulations**

Following non-compliance with laws, rules and regulations had been observed in audit test check.

**Reference to laws, rules and regulations**

**Non - compliance**

(a) **Pradeshya Sabha Regulation (Finance and Administration) 1988**

Chapter I Paragraph 5 (XII)

Even though duties such as cash, inventories and signing cheques had been assigned to three officers, security bonds had not been taken from those officers.

(b) **Financial Regulation of the Democratic Socialist Republic of Sri Lanka**

Financial Regulation 571

Action had not been taken on 09 lapsed deposits amounting to Rs. 549,198 exceeding two years to return to the relevant persons or to transfer to the revenue account.

(c) **2006 Government Procurement Guidelines**

Guideline 5.4.12

Even though the details of the value added tax on registered contractors should be sent to the Inland Revenue Commissioner with a copy for Auditor General before the 15th of the next month, amount of Value Added Tax value of Rs. 12,996,980 paid to the contractors from the year 2011 to the year 2016 had not been sent as per.

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.5,079,193 as compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.8,709,759. Hence, a deterioration of Rs.3,630,566 in the financial results for the year under review had indicated.

**2.2 Analytical Financial Review**

Even though while comparing with the previous year, rent and other income had been increased from 62 per cent and 82 per cent respectively, service charges and Government Grants had been decreased by 32 per cent and 12 per cent respectively.

## **2.3 Revenue Administration**

### **2.3.1 Performance on Revenue Collection**

Following observations are made.

#### **(a) Leasing Meat stall**

Out of arrears meat stall lease rental of Rs.606,313 as at 31 December 2016, a sum of Rs. 526,313 had been outstanding for more than 03 years without recovering,

#### **(b) Business Tax**

Arrears business tax of Rs. 16,680 as at 31 December 2016 had been outstanding without recovering for more than 09 years.

#### **(c) Common Market Shop Rental Income**

Out of 16 shops in the common market, 10 shops had been idled from the date of construction without using for any purpose. Further, the shops, which had been rented for a monthly rental of Rs. 1,500 and Rs. 2,500 in the year 2009, had been continuously distributed to them on that same monthly rental amount. Some of those lessees had been re-rented those shops for a monthly rental of Rs.5,000. Therefore, the Sabha had been losing an income of Rs. 240,000 annually due to renting those shops for same amount without considering the present rental value.

#### **(d) Leasing Common Market Vehicle Park**

Arrears lease rental of Rs. 63,000 as at 31 December 2016 from the vehicle park near the common market had not been recovered for 02 years.

### **2.3.2 Rates and Taxes**

According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to assess and recover rates on 577 business places and 7,851 houses within the Sabha area and nearly an income of Rs. 4,000,000 had been losing annually.

## **3. Operational Review**

### **3.1 Management Weaknesses**

Following matters were observed.

- (a) According to the cash book maintaining by the Sabha, it was observed that the cash in hand as at end of every month existed ranged from Rs. 8.81 million to Rs. 12.74 million. Due to not taking steps for earn interest income by investing those money in a fixed deposits account or quick deposits, nearly an interest amount of Rs. 500,000 had been lost annually

- (b) It was observed that ownership of 12 vehicles which were using by the Sabha, given by Ministry of Provincial Council and Local Government and projects, had not been transferred to the Sabha for more than 2 years.
- (c) Sabha owned one cab, a roller and 04 trailers which could be used after repairing had been idled for more than 02 years without being repairing.
- (d) Two motor vehicles which had been given by UNICEF in the year 2013 had been idled for more than 03 years without being using.

### 3.2 Contract Administration

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#### 3.2.1 Graveling for Internal Roads

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Relating to graveling 06 roads under the program of strengthening the Pradeshiya Sabha in 2016, according to the measurements of the Technical Officer taken in site inspection on 07 September 2017 it was mentioned as 436 cubes of gravel and 42 cubes of crusher powder. However payments had been made for 561 cubes of gravel and 117 cubes of crusher powder. Accordingly, a sum of Rs. 610,500 had been over paid.

### 3.3 Solid Waste Management

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The garbage collected in the area in Kannagipura was dumped in an open area and environmental damage was caused to the public and other living things in the village. With the intention of solve this problem, a centre for producing organic fertilizer by recycling solid waste had been constructed at a cost of Rs. 1,253,939, action had not been taken to recycle solid waste even up to 07 September 2017.

## 4. System and Control

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Special attention should be made on following systems and matters mentioned before that.

<b>Control Area</b>	<b>Matters to be made special attention</b>
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(a) Fixed Assets Control	Maintaining fixed assets register.
(b) Revenue Collection Management	Action taking to recover arrears income.