

Ambalangoda Pradeshiya Sabha  
Galle District

-----

1. Financial Statement

-----

1.1 Presentation of Financial Statements

-----

The financial statements for the year 2017 had been presented for audit on 23 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 29 September 2018.

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 Ambalangoda Pradeshiya Sabha as at 31 December 2017 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 deficiencies were observed.

- (a) Spending of Rs.156,756 for development of community hall at Atambagaha Junction, Rs.250,442 spent on the allocation of rooms at Head Office under Puraneguma Project and Rs.21,825 spent on purchasing a camera during the year under review had not been capitalized.
- (b) Fixed deposit interest of Rs.64,062 applicable to the year under review had not been brought to account.
- (c) Consumable goods to the value of Rs.28,564 as at 31 December of the year under review had been left out from accounts.
- (d) Contribution of Rs.4,015,095 payable to the Local Government Pension Fund as at 31 December of the year under review had not been brought to account as creditors.

1.3.2 Unreconciled Accounts

-----

Variance of Rs.510,713 existed between the balance of Rs.32,841,200 shown in financial statements relating to an account caption and the balance in the supportive document.

1.3.3 Accounts Receivable and Payable  
-----

(a) Accounts Receivable  
-----

The following observations were made.

- (i) Action had not been taken to recover a sum of Rs.75,426 receivable under industrial debtors of 2016.
- (ii) Action had not been taken to recover receivable sum of Rs.47,466 being brought forward since 2008.
- (iii) Action had not been taken to recover a sum of Rs.2,791,487 receivable for providing tar to contracting companies in 2014.

(b) Accounts Payable  
-----

No action had been taken to settle a sum of Rs.15,260,488 payable to 19 Industrial Creditors since 2015.

1.3.4 Lack of Written Evidence Required for Audit  
-----

Non-Presentation of information for audit  
-----

It was not possible to satisfactorily verify 09 accounts, the value of which amounted to Rs.83,145,517 due to non-presentation of required information.

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

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below.

Reference to laws, rules, regulations & management decisions -----	Value -----	Non-Compliance -----
	<b>Rs.</b>	
(a) Pradeshiya Sabha rules (Financial & Administration) 1988		

- (i) Rule 33 - List of names on individuals who had defaulted the payment of Acre Tax had not been prepared .
- (ii) Rule 164 - Accounting documents had not been examined and initialed daily to the effect that entries therein are correct. .
- (iii) Rule 184 - No action had been taken to recover security dues from 06 officers who are required to furnish security.
- (iv) Rule 196 - No register had been maintained regarding the issuing of tires and tars. .
- (v) Rule 218 - Lands and building owned by the Sabha had not been verified once a year
- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka FR 571(1)(2) 2,853,449 No action had been taken in respect of 82 deposit balances exceeding over 02 years .

2. Financial Review

-----

2.1 Financial Results

-----

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.18,607,197 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to 18,771,711

## 2.2 Financial Control

Although a monthly average balance of Rs.52,468,452 available in 03 Bank Current Accounts of the Sabha during the year under review, no attention had been paid to invest those excess money and to earn an interest on them.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows:

Sources of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes	18,000	16,325	3,879	213,006	18,000	16,325	7,225	199,935
(ii) Lease Rent	2,600,000	2,300,060	1,781,705	561,697	2,000,000	2,058,560	2,477,794	42,070
(iii) Licence fee	1,600,000	1,328,260	1,216,285	111,975	1,300,000	1,364,400	1,165,560	198,840
	4,218,000	3,644,645	3,001,869	886,678	3,318,000	3,439,285	3,650,579	440,845

### 2.3.2 Performance of Revenue Collection.

During the year under review estimated Revenue of the Sabha was Rs.4,218,000 while billed revenue was Rs.3,644,645. Accordingly billed revenue out of the totaled estimated revenue was 86 percent while the collected revenue out of the billed revenue was 82 percent.

### 2.3.3 Rates and Acre Tax

The following observations were made.

- (a) During the year under review collections out of billed revenue was 24 percent. The Acre Tax balance at the beginning of the year under review was Rs.199,935 and at the end of the year it was Rs.213,006. Accordingly the balance had been increased by 06 percent in comparison to

opening balance. However no action had been taken to recover the balance in arrears as per section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987.

- (b) Billing of Acre Tax which being the main revenue collection had taken small value of Rs.16,325 in 2017. According to Acre Tax Register there were 311 property owners, only 11 had paid Acre Tax in an updated manner.

#### 2.3.4 License fee

-----  
At the end of the year under review a balance in arrears amounting to Rs.111,975 was observed. However action had not been taken to recover revenue in arrears in terms of Section 152(4) of the Pradeshiya Sabha Act.

#### 2.3.5 Court Fines and Stamp Fees

-----  
Court fines of Rs.2,129,737 and stamp fees of Rs.27,114,680 had to be recovered as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Council.

### 3. Operating Review

#### 3.1 Performance

-----  
Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradeshiya Sabha Act are as follows:

- (a) Action Plan

-----  
Although an annual Action Plan in respect of 16 activities to be performed by the Sabha in terms of by-laws enacted, none of the activities had been performed.

- (b) Non availability of anticipated benefits

-----  
Ayurvedic hospital of Mitiyagoda owned by the Sabha had been closed down during the whole year 2017. Hence people living within the area of authority couldn't obtain the anticipated service.

- (c) Solid Waste Management

-----  
Solid Waste of 03 Tons per day in the form of decaying and non-decaying waste had been dumping on to Delgahabedda Land in the extent of around 40 perches owned by the Sabha. Organic fertilizer were produced utilizing decaying waste. However due to failure of machines to be used for producing compost, production had been ceased since a

couple of months ago. Non-decaying waste had been piled up on the land for which even no environment licence obtained.

(d) Sustainable Development Targets

-----  
The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

(e) Non Fulfilled Activities

-----  
Although estimates have been prepared for Rs.1,650,000 received for development of Haputhanthrige Watta of Matiwala under schedule-based grants of the Southern Province Development Plan 2016.

3.2 Management Inefficiencies

-----  
The following inefficiencies were observed.

- (i) Although there was a possibility to recover rates and taxes from urban dwellings in the developed area of the authority limits of the Sabha in terms of Section 134(1) and (2) of the Pradeshiya Sabha Act No.15 of 1987, no action had been taken to this effect.
- (ii) Due to non-entering into agreements with the Ceylon Electricity Board by the Sabha for maintaining street lamps, the expenditure of Rs.1,468,697 incurred on street lamps in 2017 had not been reimbursed.

3.3 Human Resources Management

-----  
(a) Vacancies and Excess in the Staff

The following observations were made.

- (i) Action had not been taken to fill 06 vacancies and formalize 24 excess employees in keeping with the approved cadre plan.
- (ii) During the year under review Rs.3,599,436 had been paid for 14 employees recruited by the Sabha on substitute basis in contrary to the Management Services Circular No.25/2014 dated 12 November 2014.

(b) Staff Loan

-----

The staff loan amounting to Rs.195,869 recoverable from 12 employees retired, gone abroad, vacated the post and died had been brought forward since 1997 to end of the year under review. However no action had been taken to recover the same from respective employees or guarantors.

3.4 Assets Management

-----

3.4.1 Non Ensuring the Protection of Assets

-----

Although the 02 hand tractors, total value of which amounted to Rs.833,900 bought in 1994 and in 2000 could have been repaired and utilized, they kept idle having exposed to the nature.

3.4.2 Idle and Under Utilized Assets

-----

The following observations were made.

(a) The Cab to the value of Rs. 750,000 transferred in 2008 by the Ministry of Local Government and Provincial Councils had been kept idle.

(b) Action had not been taken to repair 02 tractor trailers having been kept in the compost project building for a period of 03 years and either to put the same into use for collecting waste or to be disposed of.

3.4.3 Non Effecting Maintenance and Repairs

-----

Two stalls located in the upper floor of the Public Market owned by the Sabha had been closed down in the absence of electricity facilities. Roller door of one room had been broken down while the common lavatory for both room were not in a position to use due to non maintenance over a number of years.

3.5 Procurement

-----

3.5.1 Procurement Plan

-----

No. procurement plan had been prepared by the Sabha for 2017

4 Accountability and Good Governance  
-----

4.1 Budgetary Control  
-----

A considerable variance between budgetary and actual revenue/expenditure for the year under review was observed which clearly indicate that the Budget had not been used as effective financial Management Control mechanism.

- (a) There were savings belonged to 09 items of expenditure totaling Rs.19,741,991, value of which ranged between 09 percent to 50 percent.
- (b) The targeted total of revenue not achieved in respect of 06 items of revenue amounted to Rs.15,008,434 value of which ranged between 03 percent to 62 percent.

4.2 Internal Auditing  
-----

Although an Internal Auditor has been appointed as per Circular No. දපපා/යභ/01/නා.ව.ලේ Dated 24 February 2014 of the Provincial Commissioner, Southern Province, sufficient internal auditing had not been undertaken.

4.3 Implementation of Audit and Management Committees  
-----

Action had not been taken even at the end of the year under review to establish Audit and Management Committees in terms of the provisions of the Audit Management Committee Circular No.DMA/2009 (1) DATED 09 June 487 2009.

5 Systems and Control  
-----

Shortcomings observed at auditing were brought to the notice of the Sabha from time to time and special attention shall be paid to the following fields of control.

	System -----		defects -----
(a)	Accounting	(i)	Non maintenance of fixed asset registers
		(ii)	Non keeping up of loss/damage register.
(b)	Revenue Collection	(i)	Shortcomings in the recovery of revenue in arrears.
		(ii)	Non pursuance of action to recover staff loan



(iii) Non identification of Lands for which Acre Tax to be paid.

(c) Vehicle Control

(i) No action had been taken to test fuel burning of vehicles

(ii) Monthly summary on vehicle running had not been prepared