

Aranayaka Pradeshiya Sabha

Kegalle District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 16 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 20 June 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 Aranayaka Pradeshiya Sabha as at 31 December 2017 and its financial performance and 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) General stores stock amounting to Rs.75,690 and electrical equipment stock amounting to Rs.46,409 remained as at the end of the year under review had not been shown as closing stocks in the financial statements.
- (b) The surplus of the year had been understated by Rs.20,840 and the general deposits as at 31 December 2017 had been overstated by similar amount due to a sum of Rs.10,420 had been debited to the Object and credited general deposit account instead of debiting general deposit account and crediting the Object.
- (c) The value of 04 finished works which executed under Provincial Council Fund – 2017 amounted to Rs.587,073. But it was brought to account under estimated value amounting to Rs.630,718 and as such capital grants and capital expenditure had been overstated by Rs.43,645.

1.3.2 Unreconciled Accounts

According to the financial statements, the balances of 05 items of accounts aggregated Rs. 93,466,333 as at end of the year under review and the balances aggregated Rs. 104,040,343 according to the subsidiary registers /reports resulting in a difference of Rs. 10,574,010.

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 14 years.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

The value of balances of accounts receivable older than 01 year as at the end of the year under review amounted to Rs.2,938,926.

(b) Accounts Payable

The value of balance of accounts payable older than 01 year as at the end of the year under review amounted to Rs.28,461.

1.4 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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(a) National Environment Act No.47 of 1980 as amended by the Acts No.56 of 1988 and No.53 of 2010	6,000	The environment protection licences had not been obtained by two industries functioned in the authoritative area of the Sabha.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulations 104, 105 and 110	429,095	The accident caused to the water bowser of the Sabha had not been reported and action had not been taken to recover the value of the loss of a vehicle.
(ii) Financial Regulation 371	99,000	In settling of 07 advances granted during the year under review a delay ranging from 06 days to 27 days was shown.

- 40,983 Four unsettled advances had existed as at 31 December of the year under review.
- (iii) Financial Regulation 1645(a) - The log books in respect of 12 motor vehicles belonging to the Sabha had not been updated.
- (c) Circular No.2005/04 of the Commissioner of Local Government dated 01 June 2005. 112,242 Money had not been recovered in respect of the land blocks remained without being sold

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 2017 amounted to Rs.10,764,751 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 9,011,086.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

The information with regard to estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	-							
Rates and Taxes	1,757,000	1,719,148	1,764,726	250,165	1,742,000	1,729,480	2,214,006	424,374
Lease Rent	1,823,500	1,708,480	1,742,332	118,027	1,265,700	1,510,310	1,563,869	152,779
Licence Fees	1,090,000	1,222,977	1,235,367	360	880,100	1,131,379	1,123,679	14,150
Other Revenue	45,147,560	76,776,923	31,453,050	28,729,210	49,031,800	46,378,557	31,871,808	19,131,208

2.2.2 Rates and Taxes

The following matters were observed.

- (a) The rates and taxes for the year under review had been recovered based on the tax assessment made in the year 2011.
- (b) Action had not been taken to recover rates and taxes from 105 properties of assessments for a period ranging from 02 years to 29 years.

2.2.3 Lease Rent

The following matters were observed.

- (a) A sum of Rs.93,743 recoverable on the leases of 04 properties belonging to the Sabha had not been recovered during the period from the year 2000 to 2014.
- (b) The rent recoverable per month on the lease rent of old Village Council building amounting to Rs.5,000 had not been recovered from the year 2014 and a sum of Rs.242,500 had to be recovered as at the end of the year under review. Even though, the lessee had been informed in August 2017 that the building will be taken back by the Sabha due to non-payment of rent, action had not been taken so on.

2.2.4 Licence Fees

The trade licences had not been issued for 09 business institutions for which could be issued trade licences for the year 2017.

2.2.5 Other Revenue

Advertisement Hoardings Charges

Sums of Rs.57,850 and Rs.7,312 had not been recovered from 40 permanent advertisement hoardings and 17 temporary advertisement hoardings respectively displayed in the authoritative area of the Sabha.

2.2.6 Court Fines and Stamp Fees

The court fines and stamp fees recoverable from Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.4,371,500 and Rs.21,039,510 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) Action Plan

Each activity of the action plan prepared for the year 2017 had not been reviewed to check whether those were executed properly while 05 activities had not been performed even by March 2018.

(b) Activities not Executed

The following matters were observed.

- (i) Four road development projects amounting to Rs.700,000 proposed by the Budget of the year 2017 had not been executed.
- (ii) The construction works of the Dippitiya Central Market Complex commenced under Deyata Kirula Development Project 2014 from the provisions of Rs.85 million had been discontinued in December 2016. As the construction had been discontinued the unconcealed iron bars of the stairs and the beams had remained decaying.

(c) Solid Waste Management

The following matters were observed.

- (i) A solid waste management project had not been implemented by the Sabha the waste about 52 tones per month approximately has been disposed of to a land obtained on a monthly lease basis. A sum of Rs.535,484 had been paid as lease rent thereon in the year under review.
- (ii) The waste and garbage had been disposed of haphazardly and parts of dead animals, polythene, plastic and waste disposing of from the factories had been dumped in a haphazard manner.
- (iii) The gully service only had been provided for the persons who owned a land to dispose gully waste. But the urban people who had not such a land the opportunity of that facility had been deprived by them.

- (iv) As per the action plan 2017, a land should have been purchased to construct a solid waste management centre during April of the year and a project report should have been prepared thereon in the month of May. Nevertheless, the Sabha had failed to accomplish that activity.

(d) Sustainable Development Goals

As the Sabha had not aware the 2030 Agenda relating to Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

3.2 Management Inefficiencies -----

The following matters were observed.

- (a) The revenue from garbage baskets sold, play grounds lease rent charges, gully service charges and fees for removing insecure trees amounting to Rs.1,105,808 of which should be brought to account as Sabha revenue had been retained in the General Deposit Account for a period over 02 years.
- (b) A sum of Rs.41,628 received in the year 2009 as Local Government financial grants of the Commissioner of Local Government had been retained in the General Deposit Account without being utilized.
- (c) Even though, the equipment had been provided for Electronic Library Service Programme in the year 2015, that had not been implemented even by May 2018.

3.3 Human Resources Management -----

Seven vacancies of staff had existed in 07 categories of posts of the Sabha while excess cadre in 02 categories of posts stood at 03. Even though, a post of pre-school warden had been approved by the Sabha, the Sabha had not taken action to conduct a pre-school.

3.4 Assets Management -----

3.4.1 Security of Assets not established -----

The following matters were observed.

- (a) Forty two unauthorized constructions were observed in the lands belonging to the Sabha while action had not been taken by the Sabha either to remove those unauthorized dwellers or to regularize their dwelling.
- (b) The total extent of 12 cemeteries belonging to the Sabha had been about 12 acres 03 roods and 25 perches while these lands had not been Surveyed and proper registers had not been maintained and action had not been taken to secure the lands from unauthorized dwellers.

3.4.2 Non-implementation of Maintenance and Repairs

It was not verified, whether the 256 wells recorded in the Assets registers are maintained properly and the land blocks to construct those wells allocated from 100 square feet to 750 square feet are being utilized for the public usage.

3.4.3 Assets not Documented

The extent of buildings of 10 way side rests (Ambalama) belonging to the Sabha and the names of land relating to the rests and their extent had not been recorded in the registers. It was not confirmed that the rests had been deployed for the public utilization.

3.4.4 Assets not Vested

The ownership of 11 motor vehicles had not been vested with the Sabha out of 20 motor vehicles utilized by the Sabha.

3.4.5 Idle/ Under-utilized Assets

The recommendations of the Boards of Survey had not been implemented for 03 idle motor vehicles. Four drivers only had been deployed for 17 motor vehicles which were in performing position and as such it was revealed that the assets were underutilized.

4. Accountability and Good Governance

4.1 Budgetary Control

Provisions aggregating Rs.6,505,608 had not been utilized consisting of 100 per cent of the provisions totalling Rs.823,200 made for 39 Objects and 40 per cent to 98 per cent of the provisions totalling Rs.5,682,408 made for 41 Objects in the Budget presented for the year under review.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System	Deficiencies
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(a) Accounting	(i) Failure to settle the suspense account. (ii) Not updated Register of Fixed Assets. (iii) Clear narrations not presented for the journal entries.
(b) Budgetary Control	Significant savings on the provisions.
(c) Revenue Administration	(i) Non-recovery of arrears of revenue. (ii) Failure to assess lease rent on due period.
(d) Motor Vehicles Control	(i) Failure to furnish Daily Running Charts (ii) Action not taken on condemned vehicles and vehicles to be repaired.