

Ayagama Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements forwarded to the Chairman of the Sabha on 07 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 Ayagama Pradeshiya Sabha as at 31 December 2017 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) The fixed assets totalling Rs.119,875 purchased during the year under review had not been capitalized and as such the fixed assets as at 31 December 2017 had been understated by similar amount.
- (b) The expenses paid in the year 2018 relating to the year under review had not been adjusted in the financial statements. As such the expenditure of the year under review and the creditors amount had been understated by Rs.13,805.
- (c) The assessed value of goods auctioned and destroyed on 06 March 2018 as per the recommendation of the Boards of Survey Report of the year 2017, had been adjusted in the financial statements of the year under review. As such the fixed assets had been understated by Rs.26,250.
- (d) The receivables in respect of 02 works implemented from the provisions of the Ministry of Provincial Councils and Local Government and the payable value to the contractors

amounted to Rs.1,847,526. But it was adjusted as Rs.184,753 and as such the debtors and creditors as at 31 December 2017 had been understated by Rs.1,622,773.

- (e) Without identifying the cost of 04 vehicles auctioned at Rs.1,043,000 as per the recommendations of the Board of Survey for the year 2016, the auctioned value had been eliminated from the assets accounts. As such the value of motor vehicles and carts as at 31 December 2017 was not correct.
- (f) Action had not been taken to identify and settle the amount of Rs.10,646 brought forward since the year 2014 as revenue received in advance even by the year under review.

1.3.2 Unreconciled Accounts

A difference of Rs.3,293,297 was shown 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 07 items of accounts.

1.3.3 Lack of written Evidence for audit

The detailed schedules required to ensure the balance of Rs.97,831,902 relating to the property, plant and equipment as at 01 January 2017 had not been made available for audit.

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.2,124,182 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,030,491.

2.2 Revenue Administration

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

The information with regard to the 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	2017				2016			
	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	62,630	848,489	871,840	149,210	520,350	615,490	749,179	153,036
Lease Rent	3,974,775	4,133,380	4,142,544	3,240,504	3,551,620	3,459,056	3,472,598	4,129,513
Licence Fees	208,360	330,977	309,567	-	253,030	480,274	332,213	19,120
Other Revenue	1,677,200	5,509,458	2,022,974	8,408,065	3,687,700	4,277,704	1,728,268	6,110,879

2.2.2 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, lease rent, licence fees, service charges and other revenue by 39 per cent, 04 per cent, 49 per cent, 69 per cent and 32 per cent respectively and the revenue collected from the revenue items such as warrant charges and fines and contribution made by the Government had decreased by 13 per cent and 26 per cent respectively.

2.2.3 Rates and Taxes

(a) Rates

The recoverable balance from 75 units of rates as at 31 December 2017 amounted to Rs.28,693.

(b) Acreage Tax

The arrears of acreage tax as at 31 December 2017 amounted to Rs.113,496 and it included balance totalling Rs.76,700 from 122 units older than 05 years.

2.2.4 Court Fines and Stamp Fees

The following matters were observed.

- (a) The sabha had failed to recover court fines amounting to Rs.1,433,500 recoverable for the period from December 2016 to December 2017 even by March 2018.

- (b) Action had not been taken to identify and recover the stamp fees revenue relating to the period from the year 2015 to 2017.

3. Operating Review

3.1 Performance

The matters revealed on the execution of activities to be executed by the sabha in respect of regularize and control of the matters such as public health, public utility services and public roads and comfort, facility and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) Non-execution of planned Activities

The following matters were observed.

- (i) The Sabha had failed to implement 02 projects of which estimated expenditure amounting to Rs.16,898,996 for which given provisions by the Ministry of Provincial Councils and Local Government on the condition of completion of work complete during the year under review under Strengthening of Pradeshiya Sabhas National Programme.
- (ii) Even though, the provisions of Rs.16,126,000 had been allocated for development of 07 roads and 03 buildings in the authoritative area of the Sabha as per the Capital Expenditure Estimate of the year 2017, no any development work whatsoever had been executed during the year under review.
- (iii) As the Sabha had an adequate financial ability, the Sabha had requested the approval of the Commissioner of Local Government and Secretary of the Chief Ministry to implement 03 development projects by utilizing those money. Nevertheless, these development projects could not be executed during the year under review due to said approval had not been received.

(b) Solid Waste Management

The following matters were observed.

- (i) In the event of disposing waste by the Sabha, the solid waste had been categorized and sold but the bio degradable waste has been buried in the pits dug closed to the playground of Ayagama town. A proper methodology had not been planned and implemented relating to the waste management even by the end of the year under review.
- (ii) In terms of Section 126(ix)(b) of the Pradeshiya Sabha Act No.15 of 1987 the sewage and the scavenging service and the fees charged thereon had been shown as the matters subjected to the by-laws. Nevertheless, the Sabha had failed to impose by-laws thereon and to implement even by 31 December 2017.

(c) Sustainable Development Goals

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

3.2 Management Inefficiencies

In the situation of the emergency disaster occurred in the month of May 2017 the upper floor of the bus stand belonging to the Sabha had been given to maintain the police station due to the risk of the earth slip may occur in the land of the Ayagama Police Station, for a period of 06 months on the payment of assessment rent basis.

The following matters were observed.

- (a) Even though, the 06 months period had elapsed by 31 December 2017, the recoverable lease rent as at that date amounted to Rs.114,300 had not been recovered even by 31 March 2018. Further, a formal agreement as well had not been entered into.

- (b) The above building had been newly built by the Puraneguma Project for the Sabha and the upper floor of that had been developed for 05 trade stalls. The physical changes had been done in the building without the consent of the Pradeshiya Sabha and the Police Station had not been taken out from that building even by 31 March 2018. As such, the building could not be utilized for the expected objective.
- (c) The public lavatory constructed by the Puraneguma Project had only been used for the utilization of police officers and as such the common sanitary facilities had been deprived by the public who has come to the town.

3.3 Assets Management

Idle/ Under-utilized Assets

Action had not been taken either to carry out necessary repairs and take to operational level or to dispose of 03 motor vehicles and machineries belonging to the Sabha remained idle without being utilized for a period ranging from 02 years to 04 years even by August 2017.

3.4 Procurements

3.4.1 Procurement Plan

A Procurement Plan for the year under review had not been prepared by the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) The entire provisions made for 19 Objects amounting to Rs.1,638,500 had been saved.
- (b) Excess provisions had been made for 11 Objects and as such the savings after utilization of provisions had ranged from 83 per cent to 98 per cent out of the total provision.

4.2 Audit and Management Committees

Action had not been taken to establish and implement the Audit and Management Committees.

5. **Systems and Controls**

The 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 systems and controls.

System -----	Deficiency -----
(a) Accounting	(i) Failure to identify the due revenue. (ii) Unreconciliations between financial statements and schedules.
(b) Revenue Administration	Non-recovery of due revenue.
(c) Assets Control	Existence of Idle and underutilized assets.
(d) Budgetary Control	Savings on provisions.