

Ambagamuwa Pradeshiya Sabha

Nuwara Eliya District

1. Financial statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 28 March 2012 and the financial statements for the previous year had been presented on 28 February 2011. The report of the Auditor General for the year under review was furnished to the Chairman of the Sabha on 31 May 2012.

1.2 Opinion

In view of the comments and observations appearing in the report furnished to the Chairman, I am unable to express an opinion on the financial statements of the Ambagamuwa Pradeshiya Sabha for the year ended 31 December 2011 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Lack of Evidence for Audit

(a) Un replied Audit Queries

Replies for 12 audit queries had not been furnished as at 29 March 2012.

(b) Non rendition of Information to Audit

- (i) Transactions aggregating Rs.183,751,381 could not be satisfactorily vouched in audit due to non rendition of necessary information to audit.
- (ii) Nineteen P.S 1 books and 29 counter foil books had not been furnished to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the income exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.3,546,802 as compared with the income exceeding the recurrent expenditure amounting to Rs.2,836,702 of the previous year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (i) Action had not been taken in terms of Financial Regulation 189 of the Democratic Socialist Republic of Sri Lanka with regard to 22 dishonoured cheques valued at Rs.118,659.
- (ii) Two official bank accounts of the Sabha had an overdraft of Rs.2,760,413 as at 31 December 2011 contravening Financial Regulation 387 of the Democratic Socialist Republic of Sri Lanka.
- (iii) Action had not been taken with regard to lapsed deposits valued at Rs.4,300,842 in terms of Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka.

- (iv) Action had not been taken in terms of Financial Regulation 757 (2) of the Democratic Socialist Republic of Sri Lanka with regard to 5022 library books valued at Rs.47,579 which had got misplaced.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information regarding estimated revenue, actual revenue and arrears of revenue, as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.`000	Rs.`000	Rs.`000
(i) Rates and Taxes	5,937	5,647	2,750
(ii) Lease Rent	4,135	6,279	2,031
(iii) Licence Fees	3,665	3,835	182
(iv) Other Revenue	14,780	15,110	4,418

The above information had not tallied with the financial statements presented to audit.

2.3.2 Court Fines and Stamp Fees

The amount receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2011 is shown below.

	Rs.
(i) Court Fines	5,341,848
(ii) Stamp Fees	3,226,841

2.4 Idle and Underutilized Physical Resources

- (a) The new week end fair building constructed at the Maskeliya town in 2007 under the provisions of the Ministry of Economic Development remained idle without being used.

- (b) Eighteen out of 22 shops in the new market building of Ginigathhena town belonging to the Sabha remained closed without being used for any purpose and had become filthy.

2.5 Irregular Transactions

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- (a) The Sabha had spent Rs.47,371 on 7 instances without obtaining prior approval from the Minister in charge of the subject for incurring expenditure from the funds of the Pradeshiya Sabha as required by Section 132 (k) of the Pradeshiya Sabha Act No. 15 of 1987.
- (b) According to Section 132 (j) of the Pradeshiya Sabha Act No. 15 of 1987, any expenditure exceeding a grand total of Rs.1,000 on social invitations, festivals, religious, charitable, cultural, health, entertainment and educational activities could be incurred with prior written approval of the Minister, However, a sum of Rs.89,004 had been spent in contravention.
- (c) According to paragraph 03 of the Circular No. ඊ/ඊ\$.μæ\$.ë.μÛß./2006/5 dated 31 May 2006 of the Commissioner of Local Government of the Central Provincial Council, the monthly limits of fuel for official vehicles should be determined and approved. However, during the year under review a sum of Rs.489,738 had been spent on fuel for the official vehicle of the Chairman, without such approval.
- (d) During the year under review, a sum of Rs.53,176 had been overpaid as a result of purchases made from those who had not furnished quotations and from those who had quoted higher prices while purchasing corrugated sheets by the Sabha.

2.6 Operating Inefficiencies

- (i) Action had not been taken to recover the shortages of water equipment valued at Rs.582,695 and stores equipment valued at Rs.610,622 as per Board of Survey Report – 2010, from those who were responsible.

- (ii) The Nation Building Tax of Rs.731,433, Stamp Duty of Rs.1,066,526 and the Value Added Tax of Rs.3,285,358 collected by the Sabha had not been remitted to the Commissioner General of Inland revenue.

2.7 Contract Administration

Delay in Implementing Projects

Long delays in completion of projects were observed due to non completion of work by the contractor on the contractual dates.

2.8 Internal Audit

Adequate internal audit had not been carried out at the Institution.

2.9 Activities Affecting the Environment

Necessary agreements had not been made for the disposal of garbage as required by Section 95 of the Pradeshiya Sabha Act No. 15 of 1987. Instead, garbage had been dumped between two cliffs of the Ricatan Area. As a result, there was bad smell in the surrounding area. Meanwhile, it was observed at an on the spat examination carried out on 22 March 2007, that the spoilt rain water was getting collected at the adjoining canal.

