

Alawwa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 28 November 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Alawwa Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statement

1.3.1. Accounting Deficiencies

The following accounting deficiencies were observed.

- a) The necessary adjustments had not been done in the year under review, in respect of the fines amounting to Rs.21,804 on rates and taxes and the rates and taxes received in advance amounting to Rs.43,206. Therefore revenue from rates and taxes for the year had been overstated by Rs.65,010 and the income from fines on rates and taxes, had been understated by Rs.21,804 and the rates and taxes received in advance, had been understated by Rs.43,206. Similarly the discounts given for rates and taxes, amounting Rs.55,546 had not been brought to account during the year under review.
- b) According to the goods verification conducted, 40 cemeteries to the extent of 37 acres and 24 rudes, 28 roofing sheets, 10 linear feet of coconut rafters, and the trailer bearing Number 46-0524, had not been valued and brought to account. Similarly 45 cemeteries to the extent of 45 acres, valued at Rs.696,500, the garage valued at Rs.215,000 and 05 crematoriums had not been brought to account under fixed assets.

- c) Though the balance receivable from stamp fees at the end of the year under review amounted to Rs.18,390,980 according to the financial statements, and it was Rs.9,396,681 according to the stamp fees register. Therefore the balance of revenue creditors (stamp fees) had been overstated by Rs.8,994,299.
- d) Though the balances with respect to 3 cash accounts at the end of the year aggregated to Rs.2,997,396 according to the cash book summary (P.S.10), it had been shown in the financial statements as Rs.5,587,790 , overstating the amount by Rs.2,590,394.

1.3.2. Contingent Liabilities

The Sabha had not paid the contributions properly to the Local Government Pension Fund, with respect to the employees, who have served in the Pradeshiya Sabha and retired, and entitled for contributions towards the Local Government Pension Fund. Hence the balance payable to the Fund, at the end of the year under review amounted to Rs.7,788,765.

1.3.3. Unreconciled Control Accounts

There were differences amounting to Rs.1,687,651 between the billings, receivables and the closing balances of the year under review, as per accounts and the corresponding values in the relevant registers, in respect of 13 items of accounts.

1.3.4. Accounts Receivable and Payable

The value of balances of accounts payable as at 31 December 2013 amounted to Rs.29,647,537 and of this, Rs.7,869,822 represent balances for over 3 years. Further, this included an unsettled balance of Rs.499,813 in the name of Narammala Pradeshiya Sabha, carried forward since the year 2011.

1.3.5. Lack of Evidence for Audit

Transactions totalling to Rs.4,976,311 could not be examined in detail, due to non-submission of required information to audit.

1.3.6. Unauthorised Transactions

The following observations are made.

- a) To equate the balance remained in the employees loans account according to the financial statements, and the employees loans registers as at the end of the year under review, a sum of Rs.75,448, had been debited to the employees loans account, without proper authority.
- b) To correct the account balances at the end of the year under review, the balance of the library books had been written-off by a sum of Rs.1,099,102 through Journal Entry No. 30.

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 2013 amounted to Rs. 4,473,513 as compared with the excess of revenue over recurrent expenditure amounting Rs.4,299,052. Therefore the financial result had been improved by Rs.174,461. When the capital aid of Rs.24,909,334 and capital expenditure of Rs.26,120,143 are adjusted to this financial result, the surplus for the year under review had been decreased to Rs.3,262,704.

2.2. Analytical Financial Review

The following observations are made.

- a) The total recurrent revenue of the Sabha for the year under review amounted to Rs.42,704,315, and of this, Rs.28,950,380 representing 68% consists of non-generated revenue, such as court fines, stamp fees, and salary reimbursements. Similarly the entire capital revenue amounting to Rs.24,909,334, had been received from other institutions for development work of the area under authority, through sources such as Gama Neguma and Maga Neguma.
- b) The total recurrent expenditure of the Sabha for the year under review amounted to Rs.38,229,802 and of this, Rs.29,418,321 representing 77% consists expenditure related to personal emoluments. Of this, 66% amounting to Rs.19,404,130 had been received from the Commissioner of Local Government in the form of salary reimbursements. Similarly the capital expenditure amounted to Rs.26,120,143 and 07% of this, amounting to Rs.1,691,277 had been spent from Sabha funds, and the balance 93% amounting to Rs.24,428,866 consists of development works carried out from provisions of other institutions, through sources such as Gama Neguma, and Maga Neguma.

2.3. Working Capital Management

Narammala Pradeshiya Sabha had been divided in to 02 Pradeshiya Sabha as Narammala and Alawwa Pradeshiya Sabha with effect from 01 April 2011, and during the process of division, money had been transferred to Alawwa Pradeshiya Sabha under 3 current accounts. There had been a difference of Rs.3,224,132 between the money actually transferred and the current account balances as appropriated in the balance sheet, and this difference had not been settled even up to the end of the year under review.

2.4. Revenue Administration

2.4.1. Business Taxes and Trade Licence Fees

Twenty four instances were observed, where business taxes and trade licence fees had been collected at rates different from the rates which should be collected for the year 2013 in terms of the gazette notification dated 19 October 2012 published by the Sabha.

2.4.2. Court Fines and Stamp Charges

The court fines receivable from the Chief Secretary of the Provincial Council as at 31 December 2013 was Rs.381,375

3. Operating Review

3.1. Performance Evaluation

17 projects planned by the Sabha for the year under review, valued at Rs.3,157,000 had been cancelled due to various reasons. Similarly, a sum of Rs.695,000 for 07 welfare works planned by the Sabha for the year under review, and of this Rs.639,000 had been utilized for administrative activities without utilizing for the intended purpose. The Sabha had not carried out the 15 welfare works valued at Rs.240,000.

3.2. Management Inefficiencies

The following weaknesses were observed.

- a) It had been reported that the party who had leased the stall number 06 and 13 in Keppetiwala Sub office, whilst staying in the relevant business premises had violated certain clauses in the lease agreement and had stored various goods obstructing the adjacent business premises.

- b) The Sabha had approved 109 building applications during the period from year 2009 to 2011, and 18 Certificates of Conformity had been issued. Sabha had not taken action against 91 approved permits for not obtaining the Certificates of Conformity and not extending the period of building permit. In accordance with By-laws of the Sabha, if all those buildings had been constructed, Sabha would have earned a revenue of Rs.45,500 from Certificates of Conformity, and if the construction work had not been completed, the Sabha would have earned a revenue of Rs.154,500 as annual charges for extending the period of building permits.

3.3. Contract Administration

The construction work of ferrow cement water tank for Udakanda Water Project under the provincial specific grants - 2011, had not been completed even at the end of year 2013. The construction work only up to the concrete slab had been completed and a part payment of Rs.341,420 had been paid for the work.

4. Accountability and Good Governance

4.1. Budgetary Control

Though revenue estimate for rent and licence fees amounted to Rs.9,180,000, according to the budget for the year under review, only 86% of that, amounting to Rs.7,884,561 had been earned. Similarly, though the capital revenue estimate, amounted to Rs.89,000,000 only 28% of that, amounting to Rs.24,909,000 had been earned.

5. Systems and Control

Special attention is needed in respect of the following areas of systems and controls.

- a) Accounting
- b) Budgetary Control
- c) Financial Control
- d) Revenue Administration
- e) Implementation of Projects