

Alawwa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been presented to Audit on 31 March 2017 while Financial Statements relating to the preceding year had been presented on 23 March 2016. The Auditor General's Report for the year under review has been sent to the Secretary of the Sabha on 04 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Alawwa Pradeshiya Sabha as at 31 December 2016 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 Policies

The following matters are observed.

- (a) In terms of the Pradeshiya Sabha (Financial and Administrative) Rules, action had not been taken to prepare Pradeshiya Sabha Reports No.14, 16 and 19, introduced for the preparation of financial statements of the Sabha and to enter the values thereof in Ledger Accounts and to account them accordingly.
- (b) Revenue from stamp fees and court fines had not been brought to account on accrued basis.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) Salary reimbursements amounting to Rs.1,654,659 received in the year 2017 for the year under review, had not been adjusted for the year 2016.
- (b) Salary reimbursements amounting to Rs.5,500,000 for the year under review had not been adjusted to the revenue of the year under review.

- (c) Audit fees of Rs.49,075 paid for the preceding year had been shown in the financial statements as an expenditure of the year under review and provisions for audit fees of the year under review had not been made in the financial statements.
- (d) Provisions for the capital revenue amounting to Rs.1,605,945 received in the year 2017 relating to the year under review had not been made in the financial statements of the year under review.
- (e) According to the reports of the Department of Pensions, the pensions contribution payable further by the Sabha as at 31 December of the year under review amounted to Rs.7,874,264. Nevertheless, that balance had been shown as Rs.7,967,500 in the account, thus indicating an overstatement of Rs.93,236.
- (f) Even though the actual issuance of the year under review amounted to Rs.414,062 according to the Inventory of Electrical Fittings, that value had been shown as Rs.533,157 in the financial statements.

1.3.3 Unreconciled Control Accounts

Non-reconciliations of Rs.1,773,771 were observed between the balances relating to 06 Items of Accounts and balances according to the Subsidiary Registers as at the end of the year under review.

1.3.4 Accounts Receivable and Payable

The following matters were observed.

(a) Accounts Receivable

A balance amounting to Rs.11,563,070 of the balance of accounts totalling Rs.18,241,671 receivable as at 31 December 2016, had remained over a period of one year.

(b) Accounts Payable

A balance amounting to Rs.12,328,470 was included in the balance of accounts of Rs.21,249,913 payable as at 31 December 2016, without settling over a period of one year.

1.3.5 Lack of Evidence for Audit

Title Deeds/ Transfer Deeds of 14 plots of lands valued at Rs.427,900 and Registers and age analyses relating to 06 Items of Accounts valued at Rs.20,585,063 had not been made available to audit and as such, they could not be satisfactorily examined.

1.3.6 Transactions not supported by Adequate Authority

Even though the approval had been granted to eliminate the difference of Rs.2,618,854 between the balances of cash book and the balances of ledger accounts existed at the establishment of the Alawwa Pradeshiya Sabha in the year 2011 from financial statements through a journal entry according to a decision of the Committee on Accounts, the balance amounting to Rs.3,136,098 that remained as at 01 January 2016 had been eliminated from accounts through journal entries. As such, an amount of Rs.517,244 had been eliminated from financial statements without a proper authority.

02 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 2016 had been Rs.21,623,593 as compared with the corresponding excess of revenue over recurrent expenditure of Rs.9,349,140 for the preceding year, thus indicating an improvement of Rs.12,274,453 in the financial result.

2.2 Analytical Financial Review

The increase in the rents, other revenue and revenue from salary reimbursement by Rs.3,064,053, Rs.3,065,040 and Rs.5,607,384 respectively had been the main reason for the above financial result.

2.3 Revenue Administration

2.3.1 Performance in Collecting of Revenue

It had been estimated to collect revenue amounting to Rs.89 million in the year under review and the same amount itself had been collected. Out of the sum of Rs.19 million recoverable as at 31 December 2015, only a sum of Rs.6 million had been collected during the year 2016.

2.3.2 Rates

A sum of Rs.2,084,321 had been billed for the year 2016 for 4212 units of rates existed within the area of authority of the Pradeshiya Sabha and the entire arrears as at 31 December 2016 amounted to Rs.1,181,887. That was 57 per cent out of the entire receivable revenue from rates and out of the initial arrears of revenue, only a sum of Rs.534,511 or a less percentage representing 38 per cent had been recovered.

2.3.3 Stall Rent

Even though 15 stalls of the new super market building of the Alawwa Town had been leased out to lessees from August of the year under review, written agreements had not been entered into on those leasing even by January 2017.

2.3.4 Court Fines and Stamp Fees

The stamp fees of Rs.2,658,812 and court fines of Rs.9,611,639 were recoverable from the Chief Secretary of the Provincial Council.

03. Operating Review

3.1 Management Inefficiencies

A Register of Works including the works performed by using provisions received from various parties to the Alawwa Pradeshiya Sabha, had not been maintained properly and as such, information on works including the details on provisions received from other parties except for the funds of the Sabha, could not be identified separately in the Register of Works made available to Audit.

3.2 Operating Inefficiencies

The following matters are observed.

- (a) Action had not been taken to erect protecting fences and to mark boundaries in plots of lands owned by the Sabha and to fix a notice board for notifying that those lands are owned by the Sabha and to lease out the harvest. Further, there were 12 plots of lands without deeds or that could not be physically identified.

- (b) The land of 03 roods 19 perches in extent, called Attikkagahamula Watta had been allotted and sold without the approval.

3.3 Identified Losses

The Alawwa new bus station and the new supermarket complex with 28 stalls had been constructed by spending Rs.70 million and only 15 stalls had been leased out in August 2016. However, action had not been taken to lease out the remaining 13 stalls even by January 2017 and as such, the Sabha had been deprived of revenue that could have been earned.

3.4 Contract Administration

The following matters are observed.

- (a) Even though the officers who had prepared, checked, recommended and approved the estimate, measuring reports, bill of quantities and payment reports relating to 05 works which

were subjected to audit test checks, had signed those reports as responsible officers therefor, they had not mentioned the dates in many reports in that connection.

- (b) Zink Aluminum gutters had not been fixed for the roof of the **portion** of 13.4 meters in length and 9.45 meters in breadth of the construction work of the compost yard with the roof and the concrete yard without the roof of the Solid Waste Centre of the Alawwa Pradeshiya Sabha and purlins of 4"x2"x2" C had been made from iron and they were not coated with anticorrosive paint. The galvanized purlins of 4"x2"x2" C had been used for the construction of the **portion** of 10.7 meters in length and 9.45 meters in breadth. Moreover, they were not coated with anticorrosive paint.

3.5 Delays in Projects

The construction work of Bopitiya Pre-School Building at an estimated cost of Rs.1,502,611 for which agreements had been entered into on 20 October 2016, had not been completed even by the end of the year under review due to failure in supplying materials for that work.

3.6 Solid Waste Management

All waste within the area of authority of the Sabha is not collected daily and it was observed that only one tractor out of the waste collected from the urban area is used for the manufacture of fertilizer and the remaining is disposed of to a large pit in the area.

3.7 Environmental Issues

The following matters are observed.

- (a) About 12 massive trees of the forest reserve had died due to disposal of unseparated waste several years ago to that forest reserve, located near the Solid Waste Centre of the Alawwa Pradeshiya Sabha. Further, waste had flown and collected at the boundary of the paddy field due to improper disposal of waste and as such, this had caused the great environmental and social damage. Moreover, waste is collected only from urban areas at present and the entire quantity of waste so collected cannot be used for the manufacture of compost. As such, waste was being disposed of to pits from which soil is dug out for brickmaking process of the area.
- (b) Sewerage water of the public toilet of the Alawwa bus station of which constructions had been completed in March 2016, frequently overflows and flows to the main drain of the Alawwa Town due to failure in preparation of the toilet pit up to the adequate size, incompleteness thereof up to the standard or any reason whatsoever. As such, the Sabha had to remove toilet waste constantly by using gully bowsers.
- (c) Issuance of 28 new Environmental Licenses and 64 renewals were carried out for the year 2016 within the area of authority of the Alawwa Pradeshiya Sabha and in the comparison

of renewal and issuance of licenses of 03 consecutive years, it was observed that there are 66 business institutions functioning without renewing licenses. Moreover, steps had not been taken to examine and ensure whether those business institutions are further functioning without renewing licenses and to prevent relevant environmental problems or minimize them.

04. Accountability and Good Governance

4.1 Budgetary Control

The entire provisions amounting to Rs.1,010,000 made for 14 Objects by the budget prepared for the year 2016 had been saved and as such, it was observed that the targeted objectives had not been achieved.

05. Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Accounting

Understatement of current liabilities in accounts.

Understatement of current assets in accounts.

Failure to maintain journal entries.

Classification errors.

Differences between Registers and Schedules submitted along with accounts.

Failure in maintaining the Register of Works and Registers relating to Solid Waste Centre in an updated manner.

(b) Revenue Administration

Failure in taking action for the recovery of arrears of revenue receivable.

(c) Budgetary Control

Even though estimated provisions had been made for each Object, they were not fully performed.

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| (d) Waste Management | Arise in environmental problems due to collection of waste without categorization and improper disposal of waste. |
| (e) Issuance/Renewal of Environmental Licenses | Carrying out businesses without obtaining Environmental Licenses and failure in subjecting them into examination. |