

Alla Pradeshiya Sabha
Badulla District

1. Financial statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been presented for audit on 09 March 2018 and the report of the Auditor General had been sent to the Chairman on 24 July 2018.

1.2 Qualified Audit Opinion

In my opinion except for the effect on the matters described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Alla Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

- a. Stamp Fees Income of the year under review amounting to Rs.392,050 had not been accounted in the year under review as such the income had been understated by the said amount.
- b. The Court Fine Income of the year under review amounting to Rs.242, 802 had been over accounted in the accounts as such the income had been over stated.
- c. The interest to be paid to the Local Loan and Development Fund amounting to Rs.762,891 relating to the year under review had not been accounted thus the expenditure had been understated by the said amount.
- d. The Stationery stock as at 31 December of the year under review amounting to Rs.11,555 had not been accounted hence understated the value of current assets had been understated by that amount.
- e. The stock of water plumbs value amounting to Rs.29,900 as at 31 December of the year under review, had been overstated in the accounts as such the value of the Current Assets had been overstated by that amount.
- f. Work Creditors amounting to Rs.21,773,660 for the year under review had not been accounted, thus the value of expenditure and the current liabilities had been understated by that amount.

- g. The pension contribution amounting to Rs.16,402 to be paid as at 31 December for the year under review had not been accounted thus the value of the Current Liabilities had been understated by that amount.
- h. Employees Security Deposits amounting to Rs.18,202 had not been accounted therefore the value of the Current Liabilities had been understated by that amount.
- i. Employees Security Deposits amounting to Rs.121,526 had not been recognized as asset hence the value of assets had been understated by that amount.
- j. Interest income amounting to Rs.15,120 had not been accounted in the year under review as such income had been understated by that amount.
- k. Investments amounting to Rs.189,435 had been overstated in the account hence overstate the value of the assets had been understated by that amount.
- l. Since Library Books valued at Rs.17,435 had not been accounted, the Library Books Accounts and Contribution to Capital Outlay Account had been understated by that amount.

1.3.2 Accounts Receivable and Payable

a. Accounts Receivable

At the end of the year under review, Accounts Receivable balance amounting to Rs.12,023,831 includes Rates amounting Rs.6,311,200 and Other Expenditure amounting to Rs.2,965,749 and Water Charges amounting to Rs.1,893,264 and rental amounting to Rs.505,679.

b. Accounts Payable

At the end of the year under review, Accounts Payable balance amounting to Rs.4,124,897 consist of Miscellaneous Creditors amounting to Rs.715,724, Work Creditors amounting to Rs.3,336,194 and Audit Fees amounting to Rs.72,979.

1.3.3 Lack of Documentary Evidence for Audit

Due to the lack of evidence for audit, the total balance of 03 items of Accounts amounting to Rs.57,644,105 could not be satisfactorily verified.

1.3.4 Non-compliance

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

Instances of non-compliance with Laws, Rules, Regulations and Management decisions are shown below.

References to the Laws, Rules, Regulations and Management decisions -----	Value in ----- Rs.	Non-compliance -----
a. Pradeshiya Sabha Act No. 15 of 1987		
i. Section 49 and 52	-	Although 16 illegal constructions had been identified in authority area of the Council in 2017 necessary action had not been taken against them.
ii. Section 158 and 159	11,518,152	Arrears of Income at 31 December of the year under review had not been recovered.
iii. Section 8A(1) of the Urban Development Authority Act No.4 of 1982	1,426,920	Due to the construction of a tourist hotel had been done before issuing the approval within authority area of the Council fine and other charges calculated had not been recovered.
b. 1988 Pradeshiya Saba (Financial and Administrative) Rules -----		
i. Rule 29	-	Daily collection had not been banked on time.
ii. Rule 156	-	Payment Cash Book had not been prepared Correctly.
iii. Rule 202	48,977	The purchase and issues of plumbing accessories had not been entered into the Stock Register.
iv. Rule 218	-	The annual survey of Land and Building had not been done.
c. National Environmental Act No.47 of 1980 Amended by Act No.56 of 1988 And Act No.53 of 2000 and Extraordinary Gazette No. 1533/16 of 23 January 2008		An annual Survey had not been done to identify the institution which should be obtained the Environment Permit for the year under review.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the Recurrent Income over expenditure of the Council for the year ended 31 December 2017 amounted to Rs. 25, 662,283 as compared with the corresponding Recurrent Expenditure over Recurrent Income for the preceding year amounted to Rs.6,929,767.

2.2 Revenue Administration

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

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

	Source of Income	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i.	Rates and tax	9,544,308	4,837,999	1,670,325	3,293,250	5,006,630	6,177,542	4,525,705	659,845
ii.	Rent	715,200	818,838	537,806	1,777,394	715,200	277,610	474,916	240,283
iii.	Other income	6,157,000	4,773,390	17,337,170	11,778,790	6,108,600	7,543,433	10,563,678	4,637,678
	Total	10,416,508	10,430,227	19,545,301	16,849,434	11,830,430	13,998,585	15,564,299	5,537,806

2.2.2 Performance of Collection of income

The total Billed Income as at 31 December 2017 was Rs. 10.4 million and collected income of the year was Rs. 19.5 million. However, there was an income of Rs.16.8 million to be collected as at the end of the year and when compared to the preceding year the arrears of income had been increased by 204 per cent.

2.2.3 Other Income

Actions had not been taken to recover the income amounting to Rs. 136,180 relating tendering the weekly fair.

2.2.4 Court Fines and Stamp Fees

The Court Fines and Stamp Fees to be taken from the Chief Secretary of the Provincial Council and other authorities up to 31 December 2017 were Rs.821,969 and Rs.2,128,665 respectively.

3. Operating Review

3.1 Performance

It was revealed after the analyzing the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of Pradeshiya Sabha Act such as Regulation of Health of the General Public, Common Utility services and Public Road Facilities and Maintenance of People's Prosperity, Welfare and Development are given below.

a. Action Plan

An Action plan for the year 2017 had not been prepared.

b. Failure of Obtaining the Expected Level of Output

Although an expenditure of Rs.2,222,335 had been incurred for the construction of the Ella Pradeshiya Sabha office in the year 2014 the expected level of output had not been achieved.

c. Failure to Receive the Expected Benefits

Although an expenditure of Rs.8,400,000 had been incurred for acquisition of land for the Alla Economic Center, in 2016 the expected land had not been acquired up to the date of this report.

d. Sustainable Development Goals

Due to the Council not being aware of 2030 agenda of Sustainable Development Goals, the global view of such purposes for a long time plans to enhance the living standards and health of the people living in the authority area of the Council had not been initiated 31 December 2017.

3.2 Management Inefficiencies

Six out of 09 observations and proposals included in the stock verification report as at 31 December 2016 had not been implemented up to 31 December 2017.

3.3 Human Resources Management

There was an excess of 30 and a shortage of 07 employees as at 31 December 2017.

3.4 Identified Losses

- a. Due to not obtaining revenue license for the vehicles of the Council for the years 2016/2017 on due date a sum of Rs. 4,052 had been paid as penalties.

- b. Although an amount of Rs.50,715 was paid for the advertisement of Publishing tender, activities relating to the vehicles purchase tender had been cancelled.
- c. When considering an office for Alla Pradeshiya Saba in the year 2014 instruction and Conditions made by the Contraction Research Institution had been neglected. As a result, the building constructed spending Rs. 2,222,335 was destroyed by earth slip.

3.5 Procurement

3.5.1 Procurement Plan

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

3.5.2 Contract Management

- a. Although a contract had been entered into Construct the Alla Pradeshiya Sabha Building on 15 May 2016 for sum of Rs.50,124,060 with a private contractor and to be completed the construction on 15 January 2017, the construction was not completed even by 31 October 2017 the demurrages amounting to Rs.2,506,203 had not been recovered.
- b. Although the construction project of Alla Body Fitness Center valued at Rs.3,870,190 had been done by two community-based organizations, a total cost estimate had been prepared yet was not approved.

4. Accountability and Good Governance

4.1 Budgetary Control

Significant Variances were observed in budgeted Revenue and Expenditure in the Budget prepared by the Council for the year under review with the actual revenue and expenditure and it was observed that the Budget had not been use as an effective instrument of Management control.

4.2 Internal Audit

A proper Internal Audit had not been conducted in the year under review.

5. Systems and Control

Weaknesses observed during the audit had been informed to the Council time to time and special attention is needed in the following areas of control.

	System -----	Weakness -----
a.	Accounting	<ul style="list-style-type: none"> i. Variance between account balance and schedule balances. ii. Payments were not correctly classified and accounted.
b.	Stock Control	Goods were not stocked in a way such that they could be verified accurately.
c.	Vehicle Control	<ul style="list-style-type: none"> i. Not maintaining daily running details of the machines. ii. Supervision of a Technicians was not obtained for the maintenance of vehicles.
d.	Construction Control	Project records were not maintained relating to the supervision of Constructions.