

Alawwa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 28 September 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 Alawwa 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 Statements

1.3.1 Accounting Policies

The accounting policies adopted in preparation of financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The value of lands of Eraminiyawalgala Watta and Maharachchimulla Kandegedara amounting to Rs.10,000 and Rs.40,000 respectively had not been shown under fixed assets.
- (b) The water bowser valued at Rs.535,000 had not been brought to account.
- (c) The value of 02 wall fans amounting to Rs.19,500 was omitted from the accounts.
- (d) The value of the books of street line certificates costing Rs.9,180 had been brought to account as Rs.259,200 and overstated by Rs.250,020.
- (e) A deposit of contract amounting to Rs.29,530 relating to the preceding year was omitted from the accounts.

- (f) Salary arrears to be reimbursed to the permanent staff of the Sabha amounting to Rs.192,240 were omitted from the financial statements.
- (g) Trade stalls rent amounting to Rs.126,043 for the month of October of the year under review had been shown as Rs.98,770 in the financial statements and understated by Rs.27,273.

1.3.3 Unreconciled Accounts

The differences of Rs.1,127,598 were shown between the balances as per financial statements as at the end of the year under review and the balances of subsidiary registers relating to 06 items of accounts.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

The recoverable balances existed for over one year amounting to Rs.1,175,297 had included in the receivable accounts amounting to Rs.31,221,658 as at 31 December 2017.

(b) Accounts Payable

The unsettled balances for over 01 year amounted to Rs.9,596,714 had included in the payable accounts balances amounting to Rs.27,197,966 as at 31 December 2017.

1.3.5 Lack of written Evidence for Audit

Seven items of accounts totalling Rs.53,549,684 could not be satisfactorily vouched in audit due to non-submission of required information for audit.

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non-compliance
-----	-----	-----
(a) Pradeshiya Sabha (Financial and Administration) Rules 1998 Rule 180	-	The Security Deposits had not been obtained from the officers in charge of 2 sub offices of Maharachchimulla and Keppitwalana of the Sabha.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 570	190,326	Action had not been taken on 53 deposits older than 02 years.

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.18,599,669 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.21,623,593.

2.2 Finance Control

The banking of daily cash collection in the Keppitiwalana sub office had been carried out by road labourers in most of the instances. The road labourers had deposited cash amounting to Rs.724,252 in the Bank of Ceylon Alawwa branch during the year 2017 in 51 instances.

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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
i Rates and Taxes	2,946	3,461	3,744	920	2,786	2,648	2,846	1,204
ii Lease Rent	10,996	9,794	9,655	190	8,662	10,668	10,641	40
iii Licence Fees	1,502	1,917	1,963	-	1,409	1,712	1,712	-
iv Other Revenue	71,131	66,507	71,975	17,631	71,679	74,266	74,266	12,270
Total	86,575	81,679	87,337	18,741	84,536	89,294	89,465	13,514

Note

The recoveries of preceding years amounting to Rs.785,271 had also included in the revenue collected in the year 2017.

2.2.2 Performance in Collection of Revenue

The billed revenue for the year under review amounted to Rs.82 million and collected revenue amounted to Rs.87 million while a sum of Rs.18 million including arrears of revenue of the preceding years had to be recovered further.

2.2.3 Rates and Taxes

The rates and taxes and acreage tax recoverable as at 31 December of the year under review amounted to Rs.920,786.

2.2.4 Court Fines and Stamp Fees

Sums of Rs.4,518,250 and Rs.13,000,000 as court fines and stamp fees respectively had to be received as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and well being of the people are given below.

(a) By-laws

By-laws should have been imposed by the Sabha to execute 30 main activities under Section 126 of the Pradeshiya Sabha Act. Nevertheless, the Sabha had embraced 54 general by-laws passed by the Provincial Council in respect of the major matters and sub-matters even by 31 December 2017.

(b) Provisions not made

Five works for which provisions were not made by the budget of the year under review had been completed incurring an expenditure of Rs.3,263,172.

(c) Non-execution of expected Output Level

Even though, a period of 03 years had elapsed after the commencement of constructions of Alawwa Town Hall under Deyata Kirula Programme in the year 2014, the Sabha had not taken action to complete the respective work. Due to this depriving receivable revenue to the Sabha, non-receiving of public services and wasting resources were resulted.

(d) Solid Waste Management

The Sabha had produced 18,912 kilo grams of organic fertilizer by utilizing waste collected daily in the year 2017. A sum of Rs.12,311,210 had been incurred for solid waste management in the year under review.

(e) Environmental Issues

The following matters were observed.

- i The gully pits of the public lavatory of the Alawwa bus stand which constructed under Deyata Kirula Project in the year 2014 and started for utilization were not sufficient and as such in the instances of over flowing of the pits, it was badly affected to the entire city.
- ii The drainage for both sides of the road had not been constructed for running of water in the 3rd lane of the Alawwa South Janaraja Mawatha developed by laying block stones to the length of 148.05 metres under Wayamba Development Fund.

(f) Sustainable Development Goals

The Sustainable Development Goals of the Sabha had been included in the Action Plan of the Sabha. Nevertheless, the new policies and strategies introduced by the Circular No.BD/CBP/4/1/2-2018 of the Department of National Budget dated 31 July 2017 had not been taken into consideration in preparing budget estimates by the Sabha.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Action had not been taken to obtain water and electricity connections for 04 fish stalls near the Alawwa bus stand constructed in the year 2017 even by February 2018. In addition to this, action had not been taken as well even by May 2018 to obtain water and electricity facilities to 28 trade stalls in Alawwa Bus stand of which constructions completed in the year 2016. As such the traders who obtained these trade stalls had faced severe difficulties.
- (b) Despite, that supplies and services had not been executed properly, 02 cheques valued at Rs.264,321 had been prepared on 21 November 2017 and 27 December 2017 and had been retained with the custody of subject clerk even by 30 January 2018.

3.3 Human Resources Management

(a) Vacancies and Excesses of Employees

Fifteen vacancies and 02 vacancies had existed in 07 posts of Secondary level and 02 posts of Preliminary level respectively and excesses of 15 development officers who attached from the Department of Local Government had existed. Fifteen excess employees had been deployed in service relating to 04 posts and 08 casual employees had been recruited relating to 04 posts.

(b) Staff Loans

The unrecoverable balance of staff loans due to officers retired, deceased and station transfers amounted to Rs.23,613.

3.4 Operating Inefficiencies

The businesses only had been maintained in 14 trade stalls and 02 temporary trade stalls out of 07 temporary trade stalls in the Public Market of Keppitiwalana town at present. Even though, the owners of the other trade stalls had paid annual taxes, the monthly rental had been a very small amount, between Rs.450 and Rs.650. As the basic facilities even were not available in these trade stalls the desire of lessees to maintain the trade stalls had decreased.

3.5 Assets Management

3.5.1 Assets not formally vested

Action had not been taken to transfer the double cab vehicle to the Sabha received from Ministry of Provincial Councils and Local Government amounting to Rs.6,390,000 in the year 2014.

3.5.2 Idle/ Under- utilized Assets

Action had not been taken to utilize the land in extent of 02 acres situated near the Keppitiwalana Sub office and the library for any effective activity.

3.6 Procurements

3.6.1 Procurement Plan

A Master Procurement Plan had not been prepared by the Sabha in terms of the provisions of Guidelines 4.2.1(a), (b), (c) and (e) of the Government Procurement Guidelines.

3.6.2 Supplies and Services

The following matters were observed.

- (a) Even though the bidding documents should be made available to the bidders by mail or in person in terms of Guideline 6.1.1 (a) of the Procurement Guidelines and the bids should be submitted in terms of the Guideline 6.3.1, the issuing documents of inviting bids and as well as receiving the bids had been made by the officers of the Sabha in the field in respect of 32 instances of purchases amounting to Rs.1,489,094.
- (b) In the purchases made under shopping procedure in terms of the provisions of the Procurement Guidelines, the procurement entity must confine shopping to names appearing in the registered list as per Guideline 3.4.3 (c), but the purchases in 37 instances amounting to Rs.1,590,304 had been made from the institutions not registered in the Sabha.

- (c) The matters such as the description and quantity of goods, warranty period validity period of the quoted price and whether making transportation of goods and whether the taxes are included in the prices quoted had not been included in the requests for quotations for Shopping in terms of Guideline 3.4.2(a) of the Procurement Guidelines.

3.6.3 Contract Administration

The following matters were observed.

- (a) According to the final payment report of constructed well of the Poramadala- Koskanda water project, the concrete cover slab for which payment of Rs.68,434 had been made was not constructed even by 19 February 2018.
- (b) Even though, the total contract value that should be given for a specific period to the Community Based Organizations should not be exceeded Rs.02 million in terms of the Guideline 3.9.1 of the Procurement Guidelines, two contracts amounting to Rs.3,446,428 had been awarded to a one Rural Development Society. Even though, it should be registered as a society before 02 years of awarding the contract, the respective society had been registered in the Rural Development Division of the Ministry of Roads only on 16 June 2016.
- (c) In terms of Guideline 8.7.1(a) of the Procurement Guidelines, the documents in respect of execution of work to ensure by the procurement entity on the capacity of the society had not been made available in the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

Three works for which budgeted provisions of Rs.1,100,000 had been made and included in the action plan of the year under review had not been completed during the year under review.

4.2 Internal Audit

Even though, the Sabha had established an Internal Audit Unit and prepared an Internal Audit Plan, the copies of the Internal Audit reports issued during the year under review had not been furnished to the Auditor General. Further, the officer whom assigned to the duty of Internal Audit Unit had been assigned for other duties as well and as such the duties of the internal audit could not be carried out independently.

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 controls.

System

Deficiency

- | | |
|--------------------------|---|
| (a) Accounting | Failure to update the books of accounts and registers. |
| (b) Assets | i Failure to record the assets.
ii Failure to vesting of assets.
iii Failure to confirm the security. |
| (c) Debtors/ Creditors | Non-maintenance of Registers. |
| (d) Staff Administration | Failure to fill vacancies. |
| (e) Projects/ Contracts | Non-availability of adequate supervision. |