

Agalawatta Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to audit on 29 March 2018 while the Auditor General's Report on those financial statements was sent to the Chairman of the Sabha on 05 October 2016.

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 Agalawatta 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 Deficiencies

Following deficiencies were observed.

- (a) Value of Furniture and Equipment and Contribution from Revenue to Capital outlay Account had been overstated in a sum of Rs. 149,600, as the musical equipment purchased for Rs. 70,400 during the year under review were shown as Rs. 220,000 in the financial statements.
- (b) Nineteen items of goods discovered in the board of survey in the Kekulandara Pre-school as at 31 December 2017 had not been accounted.
- (c) Value of 14 items of goods belong to the Sabha had not been assessed and shown in the financial statements.
- (d) Expenditure amounting to Rs. 53,419 relevant to the year under review and the preceding year had not been shown in the financial statements.
- (e) Although balance of the Motor Vehicles and Carts Account as at 31 December 2017 was Rs. 53,036,433, a sum of Rs. 1,224,851 had been reduced as allocations to Palindanuwara Pradeshiya Sabha. Due to that, balance of the Motor Vehicles and Carts Account had been understated in a sum of Rs. 1,224,851 in the accounts.

1.3.2 Non-reconciled Accounts

- (a) A difference of Rs.666,398 was observed between balances relevant to 02 items of accounts amounting to Rs. 8,610,268 and the balances shown in the schedules relevant to those.
- (b) According to financial statements of the Agalawatta Pradeshiya Sabha, a balance amounting to Rs.5,342,424 was receivable from Palindanuwara Pradeshiya Sabha while the balance payable to Palindanuwara Pradeshiya Sabha had been Rs. 7,782,632. However, according to Palindanuwara Pradeshiya Sabha financial statements, balance receivable From the Agalawatta Pradeshiya Sabha had been shown as Rs.5,931,815.

1.3.3 Suspense Account

While excess of credit balances total over the total of debit balances in the trial balance relevant to the year under review had been Rs. 374,499, it had been shown as Pre-payments in the financial statement.

1.3.4 Accounts Receivable and Payable

- (a) Action had not been taken to settle creditor's balance of Rs. 947,130 relevant to the period ranging from 2009 to 2013.
- (b) Action had not been taken even up to the end of the year under review to settle the balance of Rs. 7,782,632 due from the Palindanuwara Pradeshiya Sabha receivable from the Palindanuwara and balance of Rs. 5,342,424 Pradeshiya Sabha.

1.3.5 Lack of Evidence for Audit

Three items of accounts totaling Rs. 3,610,109 could not be satisfactorily vouched/examined in audit due to non- rendition of required information.

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

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

Reference to Rules, Regulations and Management Decisions	Value Rs.	Non-compliance
(a) Pradeshiya Act No.15 of 1987 Section 134(1)		Although Rates should be recovered based on the annual value of any immovable property or property of immovable category situated in an area declared as a developed area, subject to approval by the Minister, new developed areas had not been identified for rates by the Sabha .
(b) 1988 Pradeshiya Sabha (Financial and Administrative) Rules (i) Rule 197		Stores Register had not been examined placed the signature by the Secretary at the end of each month.
(ii) Rule 218	41,701,404	All Lands and Buildings belong to the Sabha had not been inspected at least once a year.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 1647 (b)		A full survey of Tools and belong to the Sabha had not been done .
(d) Treasury Circular No. IA/2002/02 dated 28 November 2002 been taken to the		Computer Components and Software had not Inventory.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs. 16,343,281 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 11,038,346 in the preceding year.

2.2 Revenue Administration

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

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under and preceding year as furnished are shown below.

	2017				2016			
Source of Revenue	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,638,297	3,183,488	3,179,306	918,133	3,228,000	2,907,619	2,846,074	749,831
(ii) Rent	8,440,000	8,670,483	8,689,897	112,612	8,166,500	8,781,281	7,917,494	132,026
(iii) License Fees	285,000	335,509	335,509	-	236,500	220,565	174,480	-
(iv) Other Revenue	11,083,000	13,623,873	9,766,919	3,856,955	10,681,500	13,172,144	12,884,854	-

2.2.2 Performance in Revenue Collection

While overall arrears of revenue as at the beginning of the year under review amounted to Rs. 881,857, revenue billed for the relevant to the year was Rs. 25,813,354. While receipts, write-off and adjustments during the year amounted to Rs. 21,807,512, overall arrears of revenue as at 31 December 2017 amounted to Rs. 4,887,699

2.2.3 Rent

Action had not been taken to lease out the land where Youth Services Centre is located and earn income.

2.2.4 Court Fines and Stamp Fees

Court Fines amounting to Rs. 2,419,617 and Stamp Fees amounting to Rs. 8,000,000 were due to be received from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

3. Operatiional Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Although by-laws have to be imposed under Section 126 of the Pradeshiya Sabha Act in order to perform 16 main functions, by-laws had been imposed only for 05 functions even up to 31 December 2017.

(b) Solid Wastes Management

While an expenditure amounting to Rs. 6,045,897 had been incurred by the Sabha for wastes management for the year 2017, the Sabha had not taken necessary course of action to impose by-laws in order to cover that expenditure by the Sabha.

(c) Sustainable Development Targets.

Although it had been informed that the Sabha is aware of sustainable Development targets, it was observed that the Sabha was not aware of those in view of the following matters.

(i) Lack of index for measuring sustainable development targets.

(ii) Non-identification of required data.

(iii) The officer appointed for collection of data had no knowledge and experience with regard to information and communication technology and experience and there was no system to ensure accuracy and security of data.

(iv) Required infrastructure facilities had not been identified Sabha did not possess required physical facilities.

- (v) There was no methodology for engaging the staff of the organization for this program and for staff training.

3.2 Human Resources Management

- (a) According to information furnished to audit, there were vacancies in 03 posts of secondary level, 06 posts of primary level and 04 posts of contract level as at 31 December 2017.
- (b) Sabha had only 08 drivers and 03 machine operators for operation of 25 vehicles.

3.3 Operational Inefficiencies

Non-assessment of Rates

Although all immovable properties in the area of authority of the Sabha should be assessed once in 05 years for recovery of rates, assessments of rates had not been made in rates zones after the year 2010, except few roads in Agalawatta Pradeshiya Sabha.

3.4 Assets Management

Assets not vested

- (a) Although there were 26 burial grounds belong to the Sabha, only one burial ground had been vested as at 15 January 2018.
- (b) Helamba Play Ground situated within the Pradeshiya Sabha boundary had not been vested.

3.5 Un-economic Transactions

Two storied distress management building constructed in the land belongs to the Sabha through Japanese firm during the year 2010 had been taken over by the Sabha without a written agreement. A situation had arisen to demolish and remove this building as it had not been constructed according to the specified standard and quality. The Sabha had to incur an expenditure amounting to Rs. 643,023 for this.

3.6 Identified Losses

According to the board of survey carried out as at 31 December 2016, a shortage of fifty G.I Pipes were revealed. While value of those had been assessed as Rs.80,548 out of that loss, the sum of Rs. 48,676 to be recovered from one officer had not been recovered even as at 20 July 2018.

3.7 Procurements

Contracts Administration

- (a) When performing the work relating to development of Kitulgoda, Nahena Road by laying concrete, earth filling on both sides of the road had not been done.
- (b) Second tar coating in balance part of Agalawatta, Pinnagoda, Kosgahahen Public Road Project had not been properly done.
 - (1) While the road had not been leveled, it had been slightly sunk.
 - (11) ABC mixture had not been properly applied at 78 meter point of the road.
- (c) Although the depth of the road of the Pinnagoda Navitigala Road Development Project should be 0.125, at the 19.5 meter spot it was 0.0769 meters and at the 30.1 meter spot it was 0.102 meters.

4. Accountability and Good Governance

Budgetary Control

Variations in a range from 25 percent to 93 percent between budgeted revenue and actual revenue and variations in a range from 37 percent to 265 percent between budgeted expenditure and actual expenditure were observed. Therefore it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Control

Deficiencies observed were brought to the notice of the Sabha through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System	Main deficiency in the system
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(a) Accounting	I. Instances of under/over statements in the accounts. II. Omission of certain expenditure In making provision for expenditure and creditors.
Assets/Properties	Non-vesting burial grounds and play grounds.
(c) Stocks	Lack of proper supervision with regard to stores and stocks.
(d) Staff Management	Failure to fill vacant posts
(e) Contract/ Projects	i. Inadequate supervision. ii. Lack of appropriate standard. iii. Making payments for parts of work not performed.
f) Budget control	I. Maternal variances between the budget and actual expedition. II. Unrealistic revenue estimate