

Alaiyadivembu Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to audit on 13 March 2018 and the Auditor General's Report relating to the year under review was sent to the Chairman on 28 September 2018.

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 Alaiyadiwembu 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 accounting deficiencies were observed.

- (a) Even though ownership of 11 vehicles amounting to Rs. 4,950,000 had been transferred to the Sabha, the value of those vehicles had not been taken to accounts.
- (b) Without removing the face value of the building equipment which were sold for Rs.187,570 in the years 2015 and 2016, sold amount had been removed from the cost of land and buildings.

1.3.2 Cash Receivables

The Council had not taken action to recover the outstanding balance of Rs.65,070 from 04 deceased officers from the year 1991 from their gratuity or to recover them from the guarantors and shown continuously in the financial statements.

1.3.3 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliances with Laws, Rules and Regulations observed in the audit test check are shown below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Section 12(1) and (2) of Pradeshiya Sabha Act No.15 of 1987 and Sub section 31(1) of the Gazette Notification No.488/16 of Ministry of Local Government, Housing and Construction dated 13 January 1988.	-	Only 06 general development committees had been conducted during the year under review without establishing separate groups for activities such as financial and policy planning, housing constructions and social development, technical services, environmental and common consumable services. As a result of this out of 17 development programmes in the action plan to set for carry forward the development plans of the Sabha only 02 development programmes had been completed during the year under review.
(b) Paragraph 5 (XII) of Chapter I Pradeshiya Sabha Regulation (Finance and Administration) 1988	-	Even though duties such as cash, inventories and signing cheques had been assigned to three officers, security deposits had not been taken from those officers.
(c) Financial Regulation 571 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	549,198	Even though there were 09 deposits over 2 years, action had not been taken by the Sabha to settle to the relevant persons or to transfer to the revenue account.
(d) Guideline 5.4.12 of the Government Procurement Guidelines 2006	12,996,980	Details of Value Added Tax paid to the contractors should be sent to the Commissioner General of Inland Revenue with a copy to the Auditor General before the 15 of next month. However, the details of Value Added Tax paid during the period from 2011 to 2016 were not informed accordingly.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2017 was amounted to Rs. 10,874,997 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 5,079,193 and it shown an increase of Rs.5,795,804 in the financial results for the year under review.

2.2 Revenue Administration

Following observations are made

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Income Source	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	250,000	722,161	722,161	-	-	218,370	255,064	-
Rent	1,990,000	2,072,874	2,137,874	541,318	1,950,000	1,924,907	1,867,607	606,319
License Fee	805,000	671,877	671,877	16,680	925,000	514,064	514,064	16,680
Other Income	13,381,000	11,803,112	11,803,112	-	11,441,000	10,577,564	10,577,564	-

2.2.2 Revenue Collection Performance

Out of the revenue recoverable of Rs.15,893,023 by the Council up to 31 December 2017, a sum of Rs. 15,335,024 had been collected during the year under review. Accordingly, the revenue collection percentage was indicated as 96 %.

2.2.3 Rates and Taxes

As a result of not taking action according to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, assessing and recovering of rates on 577 business places and 7,851 houses within the authority area of Pradeshiya Sabha, nearly an income of Rs. 4,000,000 had been lost annually.

2.2.4 Rent Recovery

Following observations are made.

(a) Leasing of Meat Stalls

Action had not been taken to recover arrears of meat stalls lease rental of Rs. 501,318 for 4 years of which should be recovered during the period from 1988 to 2013.

(b) Business Tax

Action had not been taken to recover or write off from the books in a proper way for more than 9 years, the arrears of business tax was amounted to Rs.16,680 as at 31 December 2017.

(c) Leasing of Common Market Vehicle Park

Arrears of rental amounting to Rs. 53,716 from common market vehicle park as at 31 December 2017 had not been recovered for 07 years.

(d) Common Market Shop Rental Income

The stalls in the public market were built with the financial assistance of the NECORD Plan for a value of Rs. 9,200,000 and were handed over to the Pradeshiya Sabha in 2009. However, out of 16 shops in the common market, 10 shops had been idled from the date of construction and to date without using for any purpose. Further, the shops, which had been rented for a monthly rental of Rs. 1,500 and Rs. 2,500 in the year 2009, the Sabha had been losing an income of Rs. 240,000 annually due to renting those shops for the same amount without considering the present rental value.

3. Operational Review

3.1 Management Weaknesses

Following observations are made.

(a) It was observed that ownership of 12 vehicles which were using by the Sabha, given by Ministry of Provincial Council and Local Government and Projects, had not been transferred to the Sabha for more than 3 years.

(b) According to the cash book maintaining by the Sabha, from January to December of the year under review it was observed that the cash in hand as at end of each month existed ranged from Rs. 8.81 million to Rs. 19.6 million. Due to not taking steps for earn interest income by investing that money in a fixed deposits account or quick deposits, nearly an interest amount of Rs. 1,000,000 had been lost in the year under review.

- (c) One cab, a roller and 04 trailers owned by the Sabha which could be used after repairing had been idled for more than 03 years without being repairing.

3.2 Library Activities

Following observations are made regarding the Public Library maintained by the Alaiyadivembu Pradeshiya Sabha.

- (a) Although a sum of Rs. 300,000 had been allocated for the purchase of books for public libraries in accordance with the budget plan for the year under review, only library books valued at Rs. 16,120 had been purchased during the year under review. Further, the Community Centre Development Officer and the Librarian responsible for library activities have requested the books according to the new syllabus, purchasing had not been done even by 22 March 2018.
- (b) Due to the Library Development Committee which was established by the Council was not in operation for more than a period of two years, the development of the library and the use of the library by the readers was in a low level. In this regard action had not been taken by the responsible officers of the council.

3.3 Assets of which Ownership not Transferred

Since the beginning of the Council in 1988, ownership of 14 assets, including the Sabha building, library, cultural pavilion, public market building, playgrounds, community centre buildings and cemeteries, have not been vested by the council and shown as state lands.

3.4 Contract Administration

3.4.1 Construction of Drainages for Kirubairaja Asiriar Road

The Council had come to a contract agreement amounting to Rs. 3,481,668 to construct a 450m long drainage road on the Kirubairaja Asiriar Road under the capital development programs of the Ministry of Local Government and Provincial Councils in the year 2016. Following observations are made in this regard.

- (a) Even though, according to the agreement contract workers should be completed before 31 December 2016, it was completed on 15 February 2017. However, the documents had been prepared as completed on 31 December 2016. In this regard demurrages amounting to Rs. 78,337 had not been recovered from the contractor.
- (b) Although the documents have been prepared that the relevant drainages has been completed by 450 meters on 9 December 2016, according to the site inspection carried on 20 March 2018, only 405.8 meters of drainage had been completed.
- (c) Due the construction of bridges over drains to the private houses to go to private houses by the contractor under the supervision of the Technical Officer without the written request of the public of the area concerned and the Secretary's approval, lands

of more than 25 families where the drainages for a length of 44.2 meters were not constructed according to the agreement rain water were not properly drained in the lands and suburb area.

- (d) Garbage remains in the 405.8 meter long drains constructed obstructing sewers to drain the water properly and there is a risk of contagion diseases in the areas close to the drains.

3.5 Solid Waste Disposal Management

A garbage disposing centre had been constructed for a cost of Rs. 1,253,940 under the development aids provision made to the Provincial Council in the year 2016 for collecting garbage in Kannagipura and preparing organic fertilizer and disposing waste and it was stopped due to the protests done by the youth in the area in the year 2017. However, according to the request of the public, problems such as requests to stop wild elephants from entering the village or to resolve the garbage dumping were not solve until 22 March 2018 and even a feasibility studies and implementing of plans have not been done.

4. Accountability and Good Governance

4.1 Unresolved Audit Paragraphs

Relating to graveling 06 roads under the program of strengthening the Pradeshiya Sabha in 2016, according to the measurements taken with the Technical Officer in site inspection on 07 September 2017, 436 cubes of gravel and 42 cubes of crusher powder had been laid. However, payments had been made for 561 cubes of gravel and 117 cubes of crusher powder. Accordingly, a sum of Rs. 610,500 had been over paid.

5. System and Control

Special attention should be made on following systems and matters mentioned before that.

Control Area	Matters to be made special attention
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(a) Fixed Assets Control	Maintaining fixed assets register.
(b) Revenue Collection Management	Action taking to recover arrears income.
(c) Contract Administration	Recovering fine charges