

Alawwa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 18 May 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Alawwa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Alawwa Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Although a sum of Rs.72,267,999 had been shown in the financial statements as capital aid, it concluded capital aid amounting to Rs.17,170,025 in respect of the year 2011. Therefore, capital aid for the year had been overstated by Rs.17,170,025.
- (b.) Salary reimbursements amounting to Rs.1,510,800 payable had not been taken to the financial statements and therefore, revenue aid (salary reimbursements) relating to the year under review and the debtors (salary reimbursements) as at

end of the year under review had been understated in the accounts by Rs.1,510,800.

- (c.) Court fines receivable had been taken into financial statements as Rs.1,968,712 whereas the court fines receivable as per relevant file was Rs.1,177,750. Therefore, court fines relating to the year had been overstated in the accounts by Rs.790,962.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.19,866,805 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.4,299,052 as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,173,159 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue -----	Estimated ----- Rs.'000	Actual ----- Rs.'000	Cumulative Arrears as at 31 December ----- Rs.'000
(i.) Rates and Taxes	3,459	2,772	687
(ii.) Lease Rent	7,399	6,942	457
(iii.) Licence Fees	546	546	-
(iv.) Other Revenue	22,972	22,972	20,237

2.2.2 Rates and Taxes

Rates billed for the year amounted to Rs.1,307,154 and there was an outstanding amount of Rs.669,355 as at the end of the year and it represents 51%. However, lists of arrears had been prepared and final notices in terms of Section 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987 and Section 33-42 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988 had been issued only in respect of arrears amounting to Rs.156,393 relating to 75 units of rates. Of this a sum of Rs.131,279 relating to 38 units had been recovered and action had not been taken in terms of the Act in respect of the balance of the arrears amounting to Rs.538,076.

2.2.3 Court Fines and Stamp Fees

Court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 amounted to Rs.1,968,712 and Rs.18,268,708 respectively.

2.2.4 Entertainment Tax

Seal had not been affixed on the entrance tickets with a view to recover entertainment tax from the Cinema Hall run in the area of authority of the Sabha, and entertainment tax amounting to Rs.369,588 had been recovered based on the reports maintained by the Cinema Hall.

2.3 Irregular Transactions

According to the agreement entered into in respect of the lease of the Public lavatory by the Sabha in year 2012, the water and electricity charges should be bear by the lessee. Nevertheless, the Sabha had paid a sum of Rs.12,906 from the Sabha funds by October of the year under review in respect of water charges.

2.4 Assets Management

The following observations are made.

- (a.) Land and buildings of the Sabha had not been assured through a survey on land and building as required by Rule No.218 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988 and the value of Rs.18,706,555 shown in the registers had been brought to account.
- (b.) Although the value of land and buildings as at the end of the year was Rs.18,706,555 the legal ownership of the land and buildings valued at Rs.12,958,285 had not been confirmed. Further, the Community Hall valued at Rs.2,000,000 and the Weekly Fair Building valued at Rs.1,200,000 included under fixed assets had been brought to account without obtaining assurance on the value.
- (c.) Action had not been taken to auction the tractor bearing No.37-5160 valued at Rs.200,000 which is idling even prior to 2011 and to remove it from the accounts or to repair it.
- (d.) According to Section 11(5) of the By-law on “Development of House and Property and Block out and Sale of Lands” published by the Gazette Notification No.1317 dated 28 November 2003, title deeds should be obtained for the blocks of land allocated for common amenities at the block-out and sale of land. However, according to the Register of Lands maintained by the Sabha it was observed that title deeds had not been obtained for 06 blocks of land.

2.5 Human Resources Management

- (a.) The approved cadre of the Sabha is 87 and the actual cadre as at end of the year under review was 74.
- (b.) Arrangements had been made to cover the duties of the post of Secretary and 01 out of 04 posts of Technical Officers, 02 out of 04 posts of Revenue Administrators and 01 out of 03 posts of Librarians had been vacant as at end of the year under review.

2.6 Legal Matters Against the Sabha

The following observations are made.

- (a.) Two Court cases bearing No.4014 and 6391 filed in respect of acquisition of lands had not been finalized eve by the end of the year under review.
- (b.) There were 04 cases filed against the Sabha by land owners, because the Sabha had widen and developed the roads without obtaining the permission from the land owners and a sum of Rs13,100 had been paid as lawyers' fees and charges for preparation of documents for these cases. Further, an appeal had been made for the caseNo.6749 on the ownership of the fish stall of the Sabha and the said appeal had not been finalized even by the end of the year under review.
- (c.) The Sabha had developed a road starting from Ihala Kalalpitiya Road crossing the paddy field and a court case had been filed at the Warakapola Magistrate Courts on the above matter. The case had been put away on 30 October 2008 stating that the Commissioner General has the powers to attend this type of matters and had directed to act accordingly. Subsequently, the land owner had filed a case at the Human Rights Commission and on 10 June 2011 the Commission had recommended the Sabha to remove the soil and metal laid on the "Niyara". The owner of the neighboring field had then filed a case at the Human Rights Commission on 26 October 2011 under No.HRC/2949/11 against the Sabha stating that his paddy filed was damaged in consequence of removing soil and metal of the road by the Sabha on 23 September 2011.

2.7 Operating Inefficiencies

The following observations are made.

- (a.) Although a sum of Rs.50 million had been allocated for capital expenditure under "Pura Neguma" the said activities had not been implemented.
- (b.) There was no corporate plan for the Sabha whilst an Audit and Management Committee had been established.

- (c.) The balance payable to the Local Government Pension Fund as at end of the year under review amounted to Rs.7,523,672 as the contributions payable to the said Fund had not been duly paid. Further, the said Fund had recovered a monthly installment of Rs.21,822 and the Sabha was not aware that the officers to whom the above recoveries are related to.

2.8 Solid Waste Management

The waste collected within the area of authority of the Sabha had been disposed of at 03 locations and the waste had not been sorted out but had been dumped to pits dug. Although a Solid Waste Management Center had been constructed at a cost of Rs.5,210,000; compost had not been produced by it even by the end of the year under review. As the waste disposed of had not been sorted out and no compost had been produced, the surrounding area of the Center had become polluted.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Human Resources Management

