

**Alawwa Pradeshiya Sabha**

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**Kurunegala District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year under review had been submitted to Audit on 23 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 14 July 2016.

**1.2 Qualified Opinion**  
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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 AlawwaPradeshiyaSabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**  
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**1.3.1 Accounting Deficiencies**  
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Value of Trailer bearing No. 46-0524 had not been assessed and accounted.

**1.3.2 Non-reconciled Control Accounts**  
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Non-reconciliations in a sum of Rs.4,329,523 were observed between the balances relevant to 07 items of accounts existed at the end of the year under review and the balances existed in the subsidiary registers relevant to those.

**1.3.3 Lack of Evidence for Audit**  
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Title deeds had not been obtained for 14 blocks of lands valued at Rs.361,400 according to the Register of Fixed Assets.

**1.3.4 Non-compliance with Laws, Rules, Regulations etc..**  
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Following instances of non-compliance with Laws, Rules, and Regulations etc are observed.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>-</b>	<b>Non-compliance</b>
(a.) Pradeshiya Sabha Act No. 15 of 1987 Sections 16	-	A sum of Rs. 43,000 had been paid for obtaining electricity supply to Velikathara and Thirimanapola Clinic Centers without vesting the properties through a document or other appropriate manner.
(b.) Pradeshiya Sabha (Financial and Administrative) Rules Series Rule 218	-	When dividing and separating the Narammala and Alawwa Pradeshiya Sabha, Land and Buildings obtained to the Alawwa Pradeshiya Sabha had been accepted without confirmation of existence of those after physical inspection.
(c.) Financial Regulations of the Republic of Sri Lanka -----	-	Action had not been taken in terms of the financial regulation with regard to 09 cheques valued at Rs. 38,670 that had elapsed 06 months from the date of issue.
(i.) Financial Regulation 396 (d)	-	
(ii.) Financial Regulation 1646	-	Daily Running Charts relevant to 10 vehicles had not been sent to audit properly. A sum of Rs.539,190 had been spent for 5675 liters of fuel during the period of non-submission of running charts to audit.

## **02 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 2015 had been Rs 9,349,140 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.80,822 indicating an improvement of Rs. 9,429,962 in the financial result. After adjustment of the Capital Grant amounting Rs. 3,138,299 and Equipment Expenditure amounting to Rs. 9,529,535 to this financial result, financial result relevant to the year under review had become a surplus of Rs. 2,957,954.

## 2.2 Analytical Financial Review

Following matters are observed.

- (a) Actual revenue and expenditure relevant to the year under review and the preceding year and relevant variations are shown below.

Source of Revenue	Revenue			Expenditure Item	Expenditure		
	2015	2014	Variance		2015	2014	Variance
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	13,656	12,306	1,350	Personal Emoluments	50,045	35,436	14,609
					<u>17,638</u>		
(10,20,30,40)	<u>59,608</u>	<u>35,304</u>	<u>24,304</u>	Others	<u>13,870</u>	<u>12,254</u>	<u>1,616</u>
(ii) Others				Sub total	63,915	47,690	16,225
(50,60,70)			25,654				
Sub total	73,264	47,610		Capital	9,529	18,730	(9,201)
	3,138	16,446	( 13,308)				
(iii) Capital Grant				Expenditure	73,444	66,420	7,024
	76,402	64,056	12,346				
Grand Total	=====	=====	=====	Grand Total	=====	=====	=====
Financial Result	9,349	(80)	9,429	Surplus/Deficit	2,958	(2,365)	5,323

- (b) Out of the total Recurrent Revenue of the Sabha relevant to the year under review amounting to Rs. 73,264,099, a sum of Rs.59,608,411 or 81 per cent was revenue not falling under a nature generated in the Sabha and were receipts such as Court fines, Stamp Fees and Salary Reimbursements.
- (c) The entire capital revenue of Rs. 3,138,299, was consist of funds provided for development works in the area of authority of the Sabha through other institutions such as sources from Gama Neguma and MagaNeguma.
- (d) Out of the total Recurrent Expenditure of Rs. 63,,914,959 relevant to the year under review, a sum of Rs. 50,045,196 or 78 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 38,799,029 or 77 per cent had been received from the Commissioner of Local Government as salary reimbursements, while that amount had been accounted under other revenue.
- (e) While a sum of Rs. 4,497,890 or 47 of the capital expenditure amounted to Rs.9,529,535 only had been spent from the Sabha Fund, balance sum of Rs.5,316,645 or 53 percent consisted of development works performed from the provisions of other institutions, such as sources from Gama Neguma and MagaNeguma.

## 2.3 Revenue Administration

### 2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review and the preceding year were as shown below.

2014 Item of Revenue	2015					
	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
	000	000	000	000	000	000
(i) Rates and Taxes(ii)	3,244	2,767	1,403	8,015	3,127	1,138
Lease Rent	8,306	7,610	13	8,441	7,250	19
(iii) License Fees	764	1,604	--	765	665	
(iv)Other Revenue	40,959	59,268	17,788	37,561	36,567	
Total	53,273	71,249	19,204	54,782	47,609	1,157

### 2.3.2 Revenue Billed and Arrears of Revenue

Particulars are shown below.

Item of Revenue	Collections of Revenue						Balance of		
	Arrears as at 01.01.2015	Billings during the year	Total	Collection From arrears	Collection From billing	total	Out of Arrears as at	Out of Arrears Billing 01.01.2015 31.12.2015	Total as at
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes		3,031	4,169	309	2,219	2,528	829	812	
Lease Rent	1,138	7,604	1,604		1,604	7,609	1,641		

License Fees		1,604	59,268		39,268	1,604	8	6	14
Other Revenue	19	59,268				9,268	--	--	--
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							17,788*		
Total	1,157	71,507	72,664	320	70,689	1,009			
							837	818	19,443

- Balance as at 31 December 2015 on the basis of non-reimbursement of salaries.

### 2.3.3 Court Fines and Stamp Fees

Following observations are made.

- (a) Court Fines amounting to Rs. 1,862,125 and Stamp Fees amounting Rs. 14,406,276 were receivable from the Chief Secretary to the provincial Council as at the end of the year under review.
- (b) Out of the Stamp Fees Revenue Receivable, a sum of Rs. 10,809,124 or 75 percent had been relevant to the year 2013.
- (c) While Court Fines Receivable at the end of the year under review was Rs. 1,862,125, a sum of Rs. 194,625 relevant to the year was included in that. When compared with the preceding year, an increase in a sum of Rs. 493,878 or 36 percent of the Court Fines Receivable was indicated.

### 2.3.4 Rates

Following matters are observed.

- (a) While a sum of Rs. 1,972,741 had been billed for 4214 Rates Units in the area of authority of the Alawwa Pradeshiya Sabha during the year under review, overall arrears as at 31 December 2015 amounted to Rs. 1,379,227.
- (b) A sum of Rs. 494,097 as Rs.140,952 from three Governmental and Combined institutions and a sum of Rs. 353,145 from private Institutions and residents was outstanding to be recovered during a period from 4 to 52 quarters, as at the end of the year under review.
- (c) Although collections should be made on the basis of a warrant signed by the Secretary in terms of Section 158 (1) (a) (b) of the Pradeshiya Sabha Act No. 15 of 1987, when Rates Payable to the Pradeshiya Sabha are not paid within the relevant period, collections had not been made accordingly.

### **2.3.5 Transmission Tower Charges**

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Processing Charges, Charges to be recovered connected with issue of Certificates of Conformity and Charges could be made for unauthorized constructions relevant to telephone transmissions towers erected in the area had not been recovered in terms of Special Gazette Notification No. 1597/8 dated 17 April 2009 of the Republic of Sri Lanka.

## **03. Operating Review**

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### **3.1 Performance Evaluations**

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- (a) Three Wheeler Charges Revenue in arrears at the end of the year under review was Rs. 159,600.
- (b) Rent Revenue which could have been earned by providing the Town Hall for hire had been lost due to the delay in repairing the Alawwa Town Hall.

### **3.2 Management Inefficiencies**

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Following observations are made.

- (a) According to the list of duties of the four officers serving in the post of Revenue Inspector, while they had deviated from duties such as surveying establishments liable to obtain Trade Licenses, distribution of Rates Notices, reporting on un-authorized constructions etc., they had carried out works such as collection of Rates, Trade License Fees, Stalls Rent in the field. The individuals should come to the Sabha and make these payments, while collection of revenue in the field should be made only on a warrant issued by the Secretary. However, relevant officers had collected revenue in the field throughout the year without such delegation of authority.
- (b) Action had not been taken to settle 82 Sundry Deposit balances amounting to Rs. 1,357,110 received to the Sabha from the year 2007 to the year 2013.

### **3.3 Operational Inefficiencies**

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There were 8 Staff Loan balances totaling Rs. 119,378 remaining un-recovered during a time range from 6 to 8 years, due to reasons such as retirement, transfers and absence.

### **3.4 Identified Losses**

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The Cab Vehicle bearing No. PC-0366 belongs to the Sabha had met with an accident on 17 November 2014. While that vehicle had been repaired through a private institution for a sum of Rs. 95,943, a sum of Rs. 67,986 only had been paid by the Sri Lanka Insurance Corporation. Due to that; a financial loss of Rs. 27,957 had occurred to the Sabha.

## **04. Accountability and Good Governance**

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### **4.1 Idle and Under-utilized Assets**

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Following matters are observed.

- (a) Two Assets valued at Rs. 1,421,278 accounted under Fixed Assets had remained idle without being used.
- (b) Out of 10 Mobile Sales Booths purchased at an expenditure amounting to Rs. 550,000 under Pradeshiya Sabha Strengthening Program during the year under review, 06 Sales Booths valued at Rs. 330,000 had been kept in the premises, without being used for the proper objective.

### **4.2 Non-settled Liabilities**

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Contributions Payable to the Local Government Pension Fund on behalf of employees retired after serving the Pradeshiya Sabha had not been duly paid by the Sabha. Due to that, balance payable to that Fund at end of the year under review had amounted to Rs. 8,020,699.

## **05. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management