

Anamaduwa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 30 March 2016. The Auditor General's Report relating to the year 2016 had been sent to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects 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 Anamaduwa Pradeshiya Sabha as at 31 December 2016 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

Values such as two stocks at Rs.1,428,910, two liabilities at Rs.30,036,549, four receivables at Rs.3,345,505 and one Item of asset at Rs.190,400 had been omitted from the financial statements.

1.3.2 Unreconciled Control Accounts

Non-reconciliations of Rs.15,676,008 existed between the balances shown in the financial statements relating to six Items of Accounts and schedules relevant to them.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover a sum of Rs.2,998,039 that had been in arrears for over a period of 03 years out of the balances receivable as at 31 December 2016 amounting to Rs.30,786,832.

(b) Accounts Payable

Action had not been taken to settle a sum of Rs.12,701,061 that had been in arrears for over a period of 05 years out of the accounts payable as at 31 December 2016 amounting to Rs.77,751,643.

1.3.4 Lack of Evidence for Audit

Evidence for confirmation of balances of assets and liabilities totalling Rs.4,016,281 relating to 04 Items of Accounts, had not been made available to Audit.

1.3.5 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Pradeshiya Sabha Act, No.15 of 1987 ----- Section 158	Action had not been taken to recover the arrears of rates and acreage tax within the area of authority of the Sabha from the defaulters by seizing the movable property belonging to them.
(b) Pradeshiya Sabha Rules (Finance and Administration) of 1988 -----	
(i) Rule 5(7)	An adequate internal audit had not been carried out in respect of financial and storing activities.
(ii) Rule 65	A list of defaulters of payment of revenue receivable to the Sabha had not been prepared and submitted to the Secretary.

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 2016 amounted to Rs.59,848,724 as compared with the excess of revenue over recurrent expenditure amounting to Rs.26,935,349 for the preceding year.

2.2 Analytical Financial Review

The increase in the generated revenue and other revenue of the Sabha by Rs.5,353,189 and Rs.43,734,626 respectively had mainly attributed to the improvement of the financial result.

2.3 Working Capital Management

According to the accounts submitted for the year under review, the working capital ratio was 1.5:1. This ratio took a similar value in the preceding year as well.

2.4 Revenue Administration

2.4.1 Performance in Collection of Revenue

The following matters were observed.

- (a) The estimated revenue for the year under review was Rs.18.5 million while the actual revenue was Rs.14.5 million. The arrears of revenue which was Rs.3.5 million as at 31

December of the preceding year had become Rs.4.5 million as at 31 December of the year under review.

- (b) The billings for the year under review amounted to Rs.16 million while the collection during the year amounted to Rs.13 million. Accordingly, a sum of Rs.3 million out of the billed revenue as at 31 December of the year under review had to be recovered.

2.4.2 Rates

There had been a delay in the recovery of arrears of rates as Rs.2,348,556 and Rs.2,249,966 respectively relating to the preceding years and the year under review.

2.4.3 Rent

Arrears of rent amounting to Rs.118,430 and Rs.62,185 had to be recovered respectively relating to the preceding years and the year under review.

2.4.4 Court Fines and Stamp Duty

The following matters were observed.

(a) **Court Fines**

Court fines receivable for the month of December of the year under review had not been estimated and brought to account.

(b) **Stamp Duty**

Stamp duty receivable from the three Additional District Registrar's Offices of Chilaw, Nikaweratiya and Puttalam had not been computed and included in the financial statements.

3. Operating Review

3.1 Evaluation of Performance

Performance reports had not been prepared for the year 2016.

3.2 Management Inefficiencies

Action had not been taken to recover the penalty for delays amounting to Rs.429,575 recoverable for 07 projects.

3.3 Idle Physical Resources

The tractor costing Rs.597,668 and the un-estimated Mini Kubota tractor had remained idle since many years.

3.4 Identified Losses

It was decided that there was inadequate space for the waste management centre constructed in the premises of the Sabha by spending a sum of Rs.2,256,000 without carrying out a proper feasibility study. Consequently, steps had been taken to construct a new centre outside the premises of the Sabha.

3.5 Solid Waste Management

While 01 Metric Ton out of 02 Metric Tons waste collected daily is used to produce compost, the remaining waste had not been disposed of in a proper manner. As such, environmental problems could have arisen.

3.6 Human Resources Management

The following matters were observed.

- (i) Even though the other functions of the Sabha had expanded, action had not been taken to revise the approved cadre in the year 2013.
- (ii) Even though 07 Development Officers had been approved according to the cadre position prepared in the year 2013, only two permanent officers were employed by the end of the year under review. Moreover, 10 more Development Officers had been attached to the Sabha.
- (iii) Even though 58 employees had been approved for 14 posts of Primary Level in the year 2013, sixty six persons had been employed for the 14 posts of that Level by the end of the year under review. As such, there were 09 vacancies for 05 posts of Primary Level and 17 persons stood in excess in the same posts.

4. Accountability and Good Governance

Implementation of Audit and Management Committee

In terms of Letter No. ୧/୧୨/୧୧/05/03 of 05 October 2010 of the Chief Secretary of the North Western Province, 04 meetings should have been held during the year. Nevertheless, not even one meeting had been held.

5. Systems and Controls

The weaknesses in systems and controls revealed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time by my audit queries and special attention should be paid to the following areas of systems and controls.

System -----	Observation -----
(a) Budget	Capital expenditure had not been shown in detail in the Budget.
(b) Control of Revenue	Action had not been taken in terms of the Pradeshiya Sabha Act relating to arrears of revenue.
(c) Debtors and Creditors	Certain debtors and creditors had not been confirmed.
(d) Assets Management	Action had not been taken to survey and allot the lands belonging to the Sabha.
(e) Stocks	A proper internal control had not been implemented.
(f) Waste Management	Failure in planning to use all waste collected daily in an environment friendly manner.