

Anamaduwa Pradeshiya Sabaha
Puttlam District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial Statements for the year under review had been presented for Audit in 30 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 27 July 2016.

1.2 **Qualified Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this reports, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Anamaduwa Pradeshiya Sabha as at 31 December 2015.

1.3 **Comments on Financial Statements**

1.3.1 **Accounting Deficiencies**

The following matters are observed.

- a) Due to non-adjustment of supply and equipment expenditure of Rs.157,830 to the account, the excess was over stated by similar amount and due to incorrect estimate of Rs.250,000 which included in warrant fees and court fines, that income are excess of the year had been overstated by the same amount.
- b) Court fines of Rs.1,490,265 received for the preceding year had been included in the court fine income while court fine income received in respect of November and December 2015 had neither been assessed nor adjusted.
- c) Although Library fines had been included as Rs.670,050 incorrect estimate of court fines in arrears amounting to Rs. 498,500 and another sum had been included as incorrect amount. However the correct balance to be included in the account should be Rs.2,070 Accordingly library fines and excess of the year had been over stated by Rs.667,980.
- d) A sum of Rs.390,656 had been included in the account as the loan balance payable to the local credit and Development Fund. However according to confirmations of relevant balances there was no balance to be payable.
- e) Other revenue in arrears applicable to the preceding year had neither been identified nor brought to account and when the revenue of Rs.615,762 of 2014 were received in 2015, other revenue in arrears had been brought to account. Therefore that revenue had been under stated by the same amount.

- f) Due to stamp fees of Rs.7,754,081 and industrial debtor balance of Rs.5,682,541 having been included in the sum of the Rs.13,709,445 which had been shown as other revenue, that account had been overstated by Rs.13,436,622.
- g) Stamp fees amounting to Rs.8,728,690 received during the year and the preceding year had not been adjusted to the stamp fee account in arrears. Therefore stamp fee in arrears had been overstated by the same amount.
- h) Contribution payable during the year and payments made during the year had not been adjusted in the balance of Rs. 4,464,126 payable to Director General of pension. Therefore the balance payable in that account had been overstated by Rs.2,298,032.
- i) Airtel tower fee amounting to Rs.38,500 receivable for December 2015, had been shown under revenue and debtors.
- j) Capital aids of Rs. 4,387,374 and Rs.5,333,376 received for 2014 and 2015 respectively totaling Rs.9,720,750 had been brought to account as recurrent revenue received from the Provincial Council during the year under review. Therefore recurrent revenue of the year under review had been overstated by that amount. Further the capital aids amounting to Rs.4,387,374 applicable to the previous year had been brought to account as the amount received during the year under review resulting in an excess being overstated by the same value.
- k) Stamp fees amounting to Rs.38,545 payable had not been shown as current liability and capital aid amounting to Rs.5,682,542 receivable had not been shown as capital revenue in the income and expenditure account while amounts receivable had not been included as current assets.
- l) The amount of Rs.100,000 included in the revenue and expenditure account as other revenue is not a revenue and it is a sum received from industrial debtors in 2014. Accordingly excess of the year had been overstated by Rs.100,000 while current assets had been understated by the same amount.
- m) The sum amounting to Rs.25,000 received for industrial debtors in 2014 had been included in the balance of Rs. 46,678 indicated under other revenue.
- n) A basis of accounting had not been revealed in respect of deposit amounting to Rs.2,074,203 under current liability and the pension deposit of Rs.89,967.

1.3.2 Accounts receivable and Payable

The amount receivable and payable to the Sabha as at 31 December 2015 were Rs.32,385,605 and Rs.22,956,615 respectively of which the total of balance receivable over one year amounted to Rs.17,131,939 while the value of balances payable over 03 years amounted to Rs.6,228,277.

1.3.3 Lack of Evidence for Audit

Due to non submission of information required for audit account balance totaling Rs.2,826,082 could not be satisfactorily verified in audit.

2. Financial Review

2.1 Financial Result

According to financial statements presented, the excess of recurrent expenditure over revenue of the year ended 31 December 2015 amounted to Rs.26,935,349 as compared with the excess of the recurrent expenditure over income for the proceeding year amounted to Rs. 11,583,021.

2.2 Analytical Financial Review Structure of Expenditure

Budgeted and actual Expenditure of the Sabha for the year under review along with relevant variance are given below.

<u>Item of Expenditure</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent Expenditure</u>			
Personal Emoluments	44,730	43,727	1,003
Others	28,253	15,504	12,749
Sub Total	72,983	59,231	13,752
Capital Expenditure	131,820	18,398	113,422
Grand Total	<u>204,803</u>	<u>77,629</u>	<u>127,174</u>

2.3 Working Capital Management

Working capital ratio (Current assets: Current liability) of the year under review had been 2:3:1 and it was 1:5:1 during the previous year. Accordingly there was an increase in the ratio of working capital during the year under review.

2.4 Income Administration

2.4.1 Performance in the collection of Revenue

The following matters are observed.

a) Information on estimated revenue and actual revenue submitted by the Pradeshiya Sabha for the year under review are given below.

<u>Item of Expenditure</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	Rs.'000	Rs.'000	Rs.'000
Rates & Taxes	2,777	1,870	907
Lease Rent	13,126	10,731	2,395
Shop rent			
Licence fees	1,138	963	175

When compared with the proceeding year, rates & tax revenue of the year under review had been far behind from the achievement of the preceding year.

b) Progress relating to collection of revenue in arrears and billed revenue of the Sabha for the year under review is indicated below

Item of Revenue	Revenue in arrears as at 01.01.2015	Recovery from arrears	Progress collecting arrears	Billd revenue of the year	Recovery from billed revenue	Progress of recovery
	Rs'000	Rs'000	%	Rs'000	Rs'000	%
Rates & Taxes	3,145	771	24	1,905	963	51
Rent	230	155	67	945	814	86
Lease Rent	544	9	2	8,098	7,157	88
Acreage Tax	315	34	11	61	16	26

- (i) Recovery rates and taxes in arrears and billed revenue during the year had been at ebb while the progress of recovery of revenue in arrears were taken lower position than the recovery of billed revenue accordingly with the addition of current year arrears to arrears in previous years total rates and taxes in arrears recoverable had been Rs.3,317,221.
- (ii) Action had been taken to recover rates and taxed an acre tax in areas as per Section 129 (2)(a) and (f) and Section 158 of the Pradeshiya Sabha Act. No.15 of 1987.
- (iii) Shop rent value of the previous years amounted to Rs.229,939 while the arrears of bill revenue amounted to Rs.230,920. Recovery of Acreage tax was at low ebb.

2.4.2 Court Fines & Stamp Fees

Although a sum of Rs.2,487,120 had been received as court fines during the period from January to October 2015, receivable of the same for the remaining two months had neither been estimated nor brought to account. Instead of computing & accounting of stamp fees receivable from three Additional District Registrar Offices, a sum amounting to Rs.974,559 received from January to May during the period under review from one Additional District Registrar Office, along with a sum of Rs.2,070,628 for the remaining period had been estimated and brought to account.

3. Good Governance & Accountability

3.1 Audit & Management Committees

As per audit committee letter No. 05/03 dated 05 October 2010 of the Chief Secretary, North-western PC, although one audit committee meeting should be held per one quarter, none was held during the year under review.

3.2 Assets Management

a) Idle and Under Utilized Physical Assets

A tractor valued at Rs.597,668 an a Kubota tractor, value of which had not been estimated were been remain idle over 3 and 5 years respectively.

b) Human resources Management Approved and Actual Cadre

The following matters are observed

- (i) The approved cadre of the Sabha had not been calculated during the year under review and approved cadre for the year 2013 had been engaged. Although development and other activities had been extended by the end of the year under review over 2013, no change had been effected to the approved cadre.
- (ii) Although 07 post Development Officers had been approved at the time of adjusting of approved cadre for 2013(Final), only 02 permanent officers were in the service by the end of the year under review while another 10 Development Officers had been attached to the Sabha.
- (iii) Although 56 employs had been approved in 2013 for 11 posts in primary grades at the end of the year under reviews 66 persons had been for 14 posts in the same grades. Further there were 3 vacancies in respect of 3 primary grades posts while there were 15 excess employs holding those posts.

3.3 Unsettled Employee Loans

Employee loan advance in arrears amounting to Rs. 4,840,410 were available at as at 31st December 2015 of which Rs.72,912 had been remained unrecoverable over several years. However action had not been taken to recover those loans. As per Section 4.3 of the letter No.PED/RED/2015/08 General(1) dated 09 October 2015 of the Director General Public Finance.

4. Systems and Controls

Special attention of the Sabha is drawn to the following fields of Systems and Controls.

- (a) Budgetary control
- (b) Accounting
- (c) Revenue Administration
- (d) Debtor & Creditor Control
- (e) Assets Management
- (f) Stock control