

Addalachenai Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 05 April 2017 and financial Statements for the preceding year had been submitted to Audit on 05 April 2016 respectively while the Auditor General's Report relating to the year 2016 was sent to the Secretary of the Sabha on 12 October 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 Attalachenai 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 Policies

The Accounting Policies used by the Council for the preparation of accounts had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Following accounting deficiencies had been observed.

- (a) According to the documents maintained by the Sabha, the service charge receivable for using Solid Waste Management Centers by Karaithivu, Sammanthurai Pradeshiya Sabha and Kalmunai and Akkaraipattu Municipal Councils was Rs. 3,511,874 as at the end of the year under review. However, a sum of Rs. 1,939,118 had been understated due to that amount had been stated in the Financial Statements as Rs. 1,572,756.
- (b) Library books that had been purchased During the year under review, by the Sabha amounting to Rs. 49,675 had been shown as recurrent expenditure in the financial statements.
- (c) As per the recommendations of the Annual Board of Survey 2015, the value of 614 library books destroyed during the year under review was not adjusted in the documents.
- (d) The box of the tractor amounted Rs. 300,000 which had been received under the development grant made for the province in the year under review, was not taken to the accounts.

1.3.3 Accounts receivable and Payable

A receivable amount of Rs. 350,322 by handing over the electric equipment belonging to the Sabha to the Ceylon Electricity Board in 2005 have been shown in financial statement continuously without taking action to recover or remove from the documents.

1.3.4 Lack of Evidence for Audit

The evidence referred before the item listed in the financial statements was not submitted to audit.

Subject	Value	Evidences not submitted
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	Rs.	
Buildings	15,408,927	} Fixed Assets Register
Furniture and Fittings	189,815	
Machine and Machineries	89,590	
Creditors	316,421	} Balance Confirmation letters

1.3.5 Non-compliance with the Laws, Rules, Regulations and Management decisions.

Following non-compliance with laws, rules, regulations and management decisions had been observed in audit.

Reference to laws, rules, regulations and management decisions

Non - compliance

- | | |
|--|---|
| (a) Treasury Circular No. IAI/2002/02 Dated 28 November 2002 | A separate register for Computers, computer soft wares and accessories had not been maintained. |
| (b) <u>Financial Regulations</u> | |
| (i) Financial Regulation 104 | Action had not been taken in terms of Financial Regulation regarding electrical equipment balance of Rs. 96,392 which had been stolen in the year 2005 and 02 solar powered power lamps and fittings amounted to Rs. 170,000 which were stolen on 20 December 2015. |
| (ii) Financial Regulation 571 | Action had not been taken on 70 deposits exceeding 2 years totalling Rs.6,861,073 to give to the relevant persons or to take to the income. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.6,121,136 as compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 1,004,126. As compared with the preceding year an increase of Rs.5,117,010 in the financial results for the year under review had indicated.

2.2 Revenue Administration

2.2.1 Charges for advertising boards

According to Section 126 (VII) (6) of the Pradeshiya Sabha Act No. 15 of 1987, approval fees of Rs. 442,450 from 40 advertising boards within the Sabha area established for advertise their sales items were not recovered.

2.2.2. Recovering Lease Rental from Fish Market

It was observed that arrears fish stall lease rental of Rs. 32,000 as at 31 December 2016 had not been recovered for a period of one year.

2.2.3 Cowhide Sales Income

Although nearly 3,328 cattle were killed for meat in the slaughter house in the year under review, a sum of Rs. 499,200 had been lost due to obtaining cowhide to a single person for free without taking action to sale leather to leather producing institutions

2.2.4 Service Charges from Solid Waste

Even though it was planned to recover a sum of Rs. 4,849,750 as service charges from solid waste collected from houses, shops and private institutions belonging to the Sabha area, only a sum of Rs. 807,010 had been collected by the Sabha.

2.2.5 Meat Stalls Rent

As at 31st December 2016, the meat stall lease rentals amount of Rs.273,300 were arrears without recovering for four years.

2.2.6 Recovering Stamp Fees

Action had not been taken to recover the stamp fee of Rs. 6,682,374 from the Chief Secretary of the Provincial Council relating to the years 2014 and 2015 even up to 26 September 2017.

3. Operational Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Even though five vehicles received by other institutions as donations have been used by the council for 07 years, action had not been taken to acquire the vehicles to the Sabha.
- (b) The animal bone grinding centre built in the Pallakkadu village and the machinery purchased for that by using the provision of Rs. 1,400,000 received under the development aids of provincial councils in the year 2014 was not used up to date on 26 September 2017.
- (c) Even though the Board of the survey reported a shortage of 238 assets belonging to 35 roads, but action had not been taken by the Sabha even by 26 September 2017.

3.2 Contract Administration

Under the "Pura Neguma" program of the Ministry of Economic Development, the Addalachchenai Beach Children's Park was constructed at a cost of Rs.3,073,763 during the year under review. However, due to the lack of work done included in the estimate such as toilets, access gates, drinking water facilities, power plants, shade trees and seating arrangements, the people who use this park had to face great difficulties.

4. System and Control

Special attention should be made on following systems and matters mentioned in front of that.

- (a) Fixed Assets Control
 - (i) Maintaining fixed assets register.
 - (ii) Taking action to use idle assets.
- (b) Income Administration
 - Taking action to recover arrears income.
- (c) Solid Waste Management
 - (i) Collecting solid wastes separately.
 - (ii) Recovering solid waste service charges.