

Addalachenai Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to audit on 17 May 2018 and the Auditor General's Report relating to the year under review was sent to the Chairman on 19 October 2018.

1.2 Qualified Opinion

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 Addalachenai Pradeshiya Sabha as at 31 December 2017 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 Sabha for the preparation of accounts had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Current assets and other income for the year had been understated by Rs.116,975 as a result of the service charge arrears for Solid Waste Management was shown as Rs. 2,791,300 according to the documents maintained by the Sabha, and it was shown as Rs. 2,674,325 in the financial statements.
- (b) As per the recommendations of the Annual Board of Survey in 2015, 614 library books were destroyed in the year under review but the value of those had not been adjusted in the documents.

1.3.3 Accounts receivable and Payable

The payable amount of Rs.316,421 to the Ceylon Electricity Board for using street lamps and receivable amount of Rs.350,321 from the Ceylon Electricity Board had been continuously reported in financial statements without been taking action for over 22 years.

1.3.4 Lack of Documentary Evidence

Detailed documents had not been furnished to audit relating to balances of 06 fixed assets items totalling Rs.2,377,355 carried forward from 1998 that were shown in the financial statements of the Sabha for the year under review.

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

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

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non - compliance
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	Rs.	
(a) Paragraph 5 (XII) of Chapter I Pradeshiya Sabha Regulation (Finance and Administration) 1988	-	Even though duties such as cash, inventories and signing cheques had been assigned to three officers, security deposits had not been taken from those officers.
(b) Financial Regulation 571 of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka	4,461,308	Action had not been taken by the Sabha relating to 90 lapsed deposits exceeding two years.
(a) Treasury Circular No. IAI/2002/02 Dated 28 November 2002	576,200	A separate assets register for Computers, computer soft wares and accessories had not been maintained

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2017 amounted to Rs. 7,585,750 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 6,121,136 and it shown an increase of Rs.1,464,614 in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Item	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
(i) Rates and Taxes	533	525	525	-	612	353	353	-
(ii) Rent	1,700	1,941	1,941	273	1,650	1,040	1,040	273
(iii) License Fees	1,705	1,071	1,071	-	1,460	1,239	1,239	-
(iv) Other Revenue	21,195	18,805	15,382	6,293	19,085	18,420	17,160	2,520

2.2.2 Performance of Revenue Collection

Out of the revenue receivable amount of Rs. 25,485,000 up to 31 December 2017 a sum of Rs. 18,918,939 had been recovered during the year under review. Accordingly, the revenue collection was 74%.

2.2.3. Revenue of Meat Stalls Lease Rent

Meat stall lease rent amounting to Rs.273,300 was in arrears for four years as at 31 December 2017.

2.2.4 Recovery Business License Fees

Action had not been taken to recover the business license fees amounting to Rs.52,700 for the year under review up to 17 September 2018 relating to 29 business establishments in the authority area of the Sabha.

2.2.5 Other Income

Following observations are made.

- (a) A sum of Rs. 607,200 had not been recovered during the year under review relating to 52 display boards established by private institutions in authority area of the Sabha.
- (b) The waste dumping charges recoverable for more than two years from the Karaitheivu Pradeshiya Sabha amounting to Rs. 1,253,542 had not been recovered.
- (c) Although nearly 2,671 cattle had been slaughtered in the year under review, action had not been taken to sell the skin of those cattle for leather production institutions and given to an individual free of charge. As a result Rs. 400,650 had been lost due to the Sabha.

3. Operational Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Action had not been taken to acquire 08 vehicles to the Sabha which were received from other institutions and using by the Sabha from 05 years.
- (b) Action had not been taken to recover loans amounting to Rs. 146,650 given to 6 employees of the Sabha and was in arrears for over 2 years.
- (c) Although there was a shortage of 238 items relating to 35 categories, recommended by the Board of survey from the year 2012 to the year under review, action had not been taken by the Sabha even up to 17 September 2018.
- (d) Since the public library was built near a common market, the readers coming to the library have to undergo difficulty by the sounds of vehicles and public. Further, there is a traffic problem due to the vehicle coming to the market are parking in front of the library.

3.2 Human Resource Management

Three posts such as the posts of work supervisors, machine operator and library officers were vacant for more than 02 years and there were delays and problem had arisen in the performance of the duties in those positions.

4. Accountability and Good Governance

4.1 Unresolved Audit Paragraphs

Following observations are made.

- (a) Action had not been taken up to 17 September 2018 in terms of Financial Regulation 104 regarding the misplace of electrical equipment stolen in the year 2005 valued at Rs. 96,392 and 02 solar powered lamps and fittings purchased for Rs. 170,000 in the year 2014 and fixed at the Palamunai Olinil main road which were stolen on 20 December 2015.

- (b) The Sabha had completed the installation of 11 playing equipment belonging to 6 categories at a cost of Rs. 4,817,638 at the Palamunai beach children's park under the strengthening program of Pradeshiya Sabha in the year 2017. However, the sanitary facilities, drinking water facilities, electricity facilities, shaded trees and seating facilities for the children's park have not yet been provided. Therefore children, adults and general public who use the park has to face great difficulties.

- (c) The animal bone grinding centre built in the Pallakkadu village and the machinery purchased for that prupose utilizing the provision of Rs. 1,400,000 received under the development aids of Provincial Councils in the year 2014 were not used and idling up to date 17 September 2018.

5. System and Control

Special attention is needed in respect of the following systems and matters mentioned against them.

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