

**Anamaduwa Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 27 March 2018 and the Report of the Auditor General relating to those Financial Statements has been sent to the Chairman on 28 September 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 Anamaduwa 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 Deficiencies

The following matters were observed.

- (a) Supplies and equipment valued at Rs.410,750 transferred from the General Stores Account had not been debited to the Supplies and Equipment Account.
- (b) A sum of Rs.968,338 receivable under the Puraneguma Project relating to the year 2016 had been shown in the financial statements under other revenue of the year under review.
- (c) Dogs deposits revenue amounting to Rs.239,920 received in the year 2016 had been shown in Deposits Accounts.
- (d) Revenue from stamp fees amounting to Rs.246,768 relating to the year 2017 had been shown under current liabilities.
- (e) The works debtors had been understated in accounts by Rs. 12,000,000 as at 31 December 2017.
- (f) The capital aid amounting to Rs. 5,000,000 had been credited to the Accumulated Fund, thus understating the capital aid by the same amount.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover a sum of Rs. 3,205,655 older than 03 years from 08 accounts valued at Rs.59,152,954 receivable as at 31 December 2017.

(b) Accounts Payable

Action had not been taken to settle a sum of Rs. 2,999,060 older than 03 years from 09 accounts valued at Rs. 22,703,227 payable as at 31 December 2017.

1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Rule No.33 (Finance and Administration) of 1988	5,853,890	Action had not been taken to prohibit properties owned by persons who default the payment of rates and taxes of the area of authority of the Sabha.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka FR 572(1)	354,150	Action had not been taken to credit lapsed deposits to revenue.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs.17,180,393 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.59,848,724.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, Actual Revenue and Arrears of Revenue

Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

Source of Revenue	Estimated Revenue	Billed Revenue	2017		Total Arrears as at 31 December	2016		Collected Revenue	Total Arrears as at 31 December	
			Collected Revenue	Rs.000		Estimated Revenue	Billed Revenue			
Rates and Taxes	5,113	5,015	3,663	6,287	4,970	5,017	3,576	4,935		
Rent	14,159	10,840	10,384	1,839	12,668	9,817	10,530	1,383		
Licence Fees	1,438	1,005	1,005	-	837	1,305	1,305	-		
Note The	Other Revenue	15,325	10,377	10,205	12,663	10,740	11,611	5,300	9,359	-

collected revenue included recoveries from billed revenue in the year under review and recoveries from arrears of revenue in preceding years.

2.2.2 Performance in Collection of Revenue

Thirty six per cent of total revenue from rates and taxes receivable with arrears of revenue in preceding years and 85 per cent of revenue from rentals had been collected in the year under review.

2.2.3 Rates and Taxes

The following observations are made.

- (a) Arrears of rates and taxes totalling Rs. 4,935,000 as at the end of the preceding year had increased up to Rs. 6,287,000 by the end of the year under review. Accordingly, the responsibility of collection of taxes had not been carried out by the Sabha.
- (b) Out of the rates and taxes amounting to Rs. 4,959,647 billed for the year under review, only a sum of Rs.2,482,569 equivalent to 50 per cent had been collected during the year.

2.2.4 Rent

The following observations are made.

- (a) Rentals and lease rentals with arrears of revenue amounting to Rs.10,384,000 equivalent to 85 per cent had been collected in the year under review.
- (b) Action had not been taken to recover a sum of Rs.432,008 recoverable prior to the year 2013.

2.2.5 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December 2017 from the Chief Secretary of the Provincial Council amounted to Rs.4,724,255 and Rs.6,103,308 respectively.

03. Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people within the area, are as follows.

(a) By-Laws

In terms of Section 126 of the Pradeshiya Sabha Act, By-Laws had been enacted only for 29 purposes by 31 December 2017.

(b) Failure in making Provisions

According to the Annual Development Plan – 2017, out of provisions made, the expenditure on health, sanitation and environmental activities and solid waste management was at a level less than 10 per cent.

(c) Delays in Execution of Projects

According to the Annual Development Plan – 2017, a Project at the value of Rs.100,000, mentioned as services provided from funds of the Sabha had not been executed and the progress of execution of 06 projects ranged from 5 per cent to 88 per cent.

(d) Projects Abandoned

Six provincial specific development projects at the value of Rs.7,500,000 mentioned in the Annual Development Plan – 2017, had not been implemented during the year under review.

(e) Solid Waste Management

About 02 Tons of waste are collected daily under the Solid Waste Management Project and a compost yard had been constructed behind the Sabha by spending a sum of Rs.3,256,000 in the year 2011 for manufacture of compost. However, it had become idle by 31 December 2017. Another compost yard had been implemented by spending Rs.2,456,334 under provincial specific grants from the year 2013 to the year 2016.

(f) Sustainable Development Targets

Under the “2030 Agenda on Sustainable Development”, attention had been made on public infrastructure facilities including conduct of mobile services, human resources management, employees’ motivation as well as the development of thoroughfares. Indices for measuring sustainable development goals and targets had not been identified.

3.2 Human Resources Management

Eight and 07 vacancies existed in the posts of secondary and primary levels of the Sabha respectively and 07 employees had been deployed in casual / substitute posts exceeding the approved cadre.

3.3 Assets Management

Idle assets

Four motor vehicles of various makes had remained idle from the year 2010 to the year 2016.

3.4 Procurement

A Procurement Plan had not been prepared for the year under review.

4. Good Governance and Accountability

4.1 Internal audit

An officer of the Sabha had been deployed in internal audit activities and only 02 internal audit reports had been issued for the year 2017.

4.2 Budgetary Control

The following matters were observed.

- (a) Out of provisions amounting to Rs. 3,644,138 made for supplies and services, only a sum of Rs. 1,165,439 had been spent.
- (b) Provisions had been saved as 51 per cent from food and uniforms, 70 per cent from medical supplies, 85 per cent from machinery and equipment and 100 per cent from construction materials and construction of buildings.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
(a) Collection of Revenue	Measures in terms of provisions of the Pradeshiya Sabha Act had not been taken for the collection of arrears of revenue.
(b) Management of Assets	A proper action had not been taken in respect of idle assets.
(c) Staff	Measures had not been taken to fill existing vacancies.
(d) Sustainable Development	Indices for objectives /targets had not been identified.