

## **Akkaraipattu Municipal Council**

### **Ampara District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year 2017 had been submitted to Audit on 04 May 2018 and the Auditor General's Report relating to the year under review was sent to the Sabha 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 Akkaraipattu Municipal Council 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**

Following observations are made.

- (a) In terms of format "K" in respect of tax and rates, 10 per cent discount amounted to Rs. 245,253 had been given to the tax payers who paid full tax and rates for the year before 31 January, but had not been taken to accounts.
- (b) Value of 03 Lorries, 05 tractors, 03 water bowsers, one JCB machine and 05 tractor trailers which were donated from various institutions during the period from 2005 to 2014 had not been assessed and taken into account.
- (c) Due to failure to transfer a sum of Rs. 85,000 a half of the tax revenue from the deposit account to the income account received from the meat stall owner for the year under review, income for the year under review was understated from the same amount.
- (d) Due to not entering the value of Rs. 145,575 of 384 items of electrical goods belonging to 03 categories in the stock account as at end of the year under review, arrears income and current assets related to the year had been understated.

### 1.3.2 Accounts Receivable

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The Council had not taken action to recover the outstanding balance of Rs.64,598 from five officers whose services were suspended and retired in 2012 and 2013 from them or to recover them from the guarantors.

### 1.3.3 Non-compliance with Laws, Rules, Regulations etc.

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Instances of non-compliances with Laws, Rules and Regulations observed in the audit were shown below.

<b>Reference to Laws, Rules and Regulations etc.</b>	<b>Value</b>	<b>Non-compliance</b>
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	<b>Rs.</b>	
(a) Urban Council Ordinance Chapter 252 Section 218	-	The detailed report to be prepared for each fiscal year by the Commissioner in relation to governance had not been prepared for the year 2017.
<b>(b) Financial Regulations of the Sri Lanka Democratic Socialist Republic of Sri Lanka</b>		
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(ii) Financial Regulation 104	535,500	The reason for the loss on missing computers in the Council in the year 2012 and disciplinary action against the persons who were responsible for the loss has not been taken as per the Financial Regulations
(ii) Financial Regulation 165(3)	45,255	Two checks received from poultry vendors In the year 2014 were deposited, but the Council did not take proper action regarding the dishonouring the cheques by the banks.
(iii) Financial Regulation 371	106,003	Action had not been taken to settle two advances up to now given to an employee of the Council and to a community centre 06 years ago.

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|------|--------------------------|-----------|--|
| (iv) | Financial Regulation 396 | 5,000     | Proper action has not been taken by the Council on a cheque which was over 06 months but not cleared.                                      |
| (v)  | Financial Regulation 571 | 3,595,067 | Action had not been taken as per Financial Regulations relating to 22 repayable deposits that have been appearing from 2 years to 6 years. |

**(c) Urban Development Authority  
Circulars**

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|------|---|---|---|
| (i)  | Circular No. 15 dated 18 November 1993.   | - | Action had not been taken by the Municipal Council to open an account called "Urban Development" and deposit service charges and fines to that account.   |
| (ii) | Circular No. 02/1/10 dated 29 April 1989. | - | Forty applications received for the construction of buildings in the authority area of the Municipal Council in the year under review had been approved without the recommendation of the Medical Superintendent of Health. |

**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.20,232,252. When compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 21,874,474 and it shows a deterioration of Rs.1,642,222 in the financial results.

**2.2 Revenue Administration**

Following observations are made

**2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

Details of estimated revenue, listed 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	listed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	listed 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	10,100	10,095	5,533	25,249	10,100	10,125	6,341	20,687
(ii) Rents	15,194	14,314	12,139	15,720	14,836	13,681	11,725	13,544
(iii) License Fees	2,650	1,751	1,751	-	1,950	2,313	2,313	-
(iv) Other Revenue	10,025	14,363	14,128	14,920	9,762	11,948	9,796	14,685

### 2.2.2 Revenue Collection Performance

Out of the revenue of Rs.89,439,165 recoverable by the Council up to 31 December 2017, a sum of Rs. 33,550,447 had been collected during the year under review. Accordingly, the revenue collection percentage was indicated as 38%.

### 2.2.3 Rates and Taxes

Following observations are made.

- According to the notice published in the Gazette No. 1846 of the Democratic Socialist Republic of Sri Lanka dated 17 January 2014 regarding the Rates and Tax, although 18 per cent for factories, 14 per cent for businesses, 10 per cent for residents areas and 5 per cent for remote areas should be charged by the annual estimate of the properties as at 31 December 2013, the Council had assessed and levied rates 10 per cent as rates from all the places.
- Out of the total rates and taxes recoverable of Rs. 30,686,921 from 12,873 residents residing in the authority area of the Council up to the end of the year under review, only a sum of Rs. 5,437,782 or 18 per cent had been recovered at the end of the year under review.

### 2.2.4 Recovery of Arrears Taxes

Out of the arrears tax amount of Rs. 14,014,705 from the year 1992 to the end of the year under review only a sum of Rs. 7,046,200 or 50 per cent had been recovered.

### **3. Operating Review**

#### **3.1 Management Weaknesses**

Following observations are made.

- (a) Even though the Municipal Council had started a fitness centre since 2015 under the fitness program, action had not been taken to improve the revenue of the council by providing modern body fitness machinery, suitable for the needs of its members.
- (b) According to the cash book maintained by the Council, it shows cash in hand of the Bank's Current Account from the range of Rs 15.3 million to Rs. 18.9 million at the end of each month from January 2017 to the end of the year under review. Due to the council has not taken steps to invest this in income-generating deposits nearly an income of Rs. 1,500,000 had been lost during the year under review.
- (c) Although according to the agreements the electricity bills for 25 shops out of the shops rented out by the Municipal Council should be paid by the persons those who are obtained the shops on the rental basis, from 2017 to 30 August 2018, electricity bill amount of Rs.125,760 was paid from the funds of the Council.

#### **3.2 Human Resource Management**

Following observations are made.

- (a) Although four vehicles worth Rs. 87,400,000 have been received by the Ministry of Local Government and Provincial Councils to start a Fire Brigade in 2015, this unit had not been implemented by assigning 24 approved employees.
- (b) Difficulties have been observed as regards the functions pertaining to those posts since 55 vacancies were not filled by the officers approved by the Council since 2011.
- (c) Duties of 06 officers working in the planning division have changed during the year under review since duties had not been assigned to them.
- (d) Documents, fieldwork papers, the Daily Diary Extract and the advance program agenda that could be proved that the duties of the Technical Officers who were working in the Planning Division of the Office were properly monitored were not prepared and approved.

#### **3.3 Idled Assets**

Following observations are made.

- (a) One hundred and seven shops belonging to the Municipal Council have not been rented from 2014 due to closure and action had not been taken up to now to rent out those shops.

- (b) The Furniture and Fittings valued at Rs. 13.69 Million Provided by the Ministry of Local Government and Provincial Councils, for the libraries in the years 2014 and 2015, are idled at the library premises even by 30 September 2017.
- (c) Ten vehicles including 06 tractors, 02 tractor trailers, 01 double cab and 01 excavator were idled for more than 04 years without being taking actions for repair.

**5. System and Control**

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 Special attention is needed in respect of the following areas and matters mentioned before that.

<b>Control Area</b> -----	<b>Matters to be made Special Attention</b> -----
(a) Fixed Assets Control	(i) Maintaining fixed assets register. (ii) Taking action to use idle assets non using by the Sabha.
(b) Management in recovery of Revenue	Taking action to recover arrears of income.
(c) Solid Waste Management	Collecting solid wastes separately.