

Irakkamam 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 05 April 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 Irakkamam 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) A new office building had been constructed by the Ministry of Provincial Council and Local Authorities at a cost of Rs. 10 million and even though it was handed over in the year 2011 to the Council, the value of it had not been taken to accounts. As a result, the Cumulated Fund and the Fixed Assets had been understated by same amount.
- (b) The Cumulative Fund and fixed assets have been understated due to not accounting as fixed assets of Rs 1,034,605 paid under the financial provisions of the Ministry of Town Planning and Water Supply during the year under review for 29 items in 28 categories installed in the Children's Park.

1.3.3 Lack of Written Evidence for Audit

Detailed documents relating to the land and buildings shown in the Financial Statements for the year 2017, amounting to Rs.3,476,675 and the receivable lease rent from meat stall amounting to Rs.1,029,223 were not submitted to the audit.

1.3.4 Non-compliance with the Laws, Rules and Regulations

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

Reference to Laws, Rules, Regulations	Value	Non - compliance
-----	-----	-----
	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 Democratic Socialist Republic of Sri Lanka	265,993	Action had not been taken by the Sabha to pay back to the relevant persons or to transfer the revenue accounts of 02 lapsed deposits exceeding two years.

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. **3,174,034** when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 1,637,187 and it shown an increase of Rs. 1,536,847 in the financial results.

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	30	44	44	-	65	26	26	-
(ii) Rental	4,075	3,787	3,684	1,132	4,600	5,191	5,191	1,029
(iii) Licence Fee	670	673	673	-	480	670	670	-
(iv) Other Revenue	2,258	1,991	1,991	-	1,433	1,768	1,768	-

2.2.2 Performance of Revenue Collection

Out of the revenue receivable amount of Rs. 7,523,240 up to 31 December 2017 a sum of Rs.6,391,417 had been recovered during the year under review. Accordingly, the percentage of revenue collection was 85 %.

2.2.3 Rates and Taxes

Action had not been taken to assess and recover rates on 305 business places and 4,673 houses within the Sabha area from the year 2010 according to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987. Therefore nearly an income of Rs. 2,500,000 were being losing annually.

2.2.4 Rent Income

Following observations are made.

- The rental income receivable from renting out the JCB in the year under review amounted to Rs. 31,600 had not been recovered even by the end of the year under review.
- Arrears of meat stall lease rental up to end of the year under review amounting to Rs.1,029,223 was outstanding from the year 2003 to 2010 and it had not been recovered.

2.2.5 Recovery of Advertising Board Charges

License fees for advertising boards amounted to Rs. 216,440 relating to the years 2014, 2015 and 2016 had not been recovered even by the end of the year under review..

3. Operating Review

3.1 Performance

Following observations are made.

(a) Solid Waste Management

The solid waste recycling centre, which was constructed in the year 2016 at a cost of Rs. 997,147 under the development aids provision of the Provincial Council, was idled up to the date of this report without being using due to not installing the necessary machineries.

(b) Environmental Issues

Even though the slaughter house had been constructed near the cemetery at a cost of Rs.1,338,328 under the development aids provision of the Provincial Council in the year 2015, it could not be used up to the date of this report due to public objections.

(c) Sustainable Development Goal

Every organization must comply with the United Nations Sustainable Development Program for the year 2030 of the Sri Lanka Sustainable Development Act No. 19 of 2017. Nevertheless, the Sabha had not taken action to identify the goals relating to this and taken action to achieving targets.

3.2 Management Inefficiencies

Following observations are made.

(a) Action had not been taken to transfer the ownership of 6 lands to the Sabha where the office building, public library, common market, public playground, and slaughter house were situated.

(b) A sum of Rs. 3,815 had been paid as fines by the end of the year under review due to failure to obtain vehicle license fees for the vehicles of the Council within the prescribed period

(c) The cost of the old building amount of Rs. 4,122,181 which was completely demolished to construct a new office building in 2010 had been removed from the accounts without the decision of the Management Committee of the Sabha.

3.3 Human Resource Management

Following observations are made.

- (a) Since the recruitments for the vacant post of Revenue Inspector of the Council had not been done since 2014, functions such as revenue recognition and revenue collection had not been properly implemented.
- (b) The health labourer who was temporarily released from the Sabha to the Office of the Assistant Governor of the Local Government Department on 01 September 2015 and had not been rereleased back to the Council, Therefore vacancies were exists for garbage removal and for health activities.

4. System and Control

Special attention is needed in respect of the following systems and controls.

Control Area	Matters Needed the Special Attention
-----	-----
(a) Accounting	Keeping accounts updated and properly.
(b) Fixed Assets Control	Maintaining the fixed assets register
(c) Management in Recovery of Revenue	Taking action to recover arrears of revenue
(d) Solid Waste management	Collecting of separated solid wastes