

**Akuressa Pradeshiya Sabha
Matara District.**

1. Financial Statements

1.1 Presentation of financial statements

Financial statements of 2019 had been presented for the audit on 28 February 2020 and Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Chairman on 09 June 2020 and 15 June 2020 respectively.

1.2 Qualified opinion

It is my opinion that financial status of Pradeshiya Sabha of Akuressa as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

1.3 Basis for the qualified opinion

(a) Accounting deficiencies

	Audit observation	Recommendation	Comments made by Accounting Officer
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(i)	No allocation had been made in accounts for industries expenditure of Rs.2,171,060 due at the end of the year under review.	It should be accurately accounted.	Actions will be taken to correct in the year 2020.
(ii)	No creditor allocation had been made for recurrent expenditure of Rs.110,846 due at the end of the year under review.	It should be accurately accounted.	Actions will be taken to correct in the year 2020.
(iii)	Expenditure of Rs.14,247,728 borne for construction of composed yard and value of the land of 5 acre had not been capitalized.	All fixed assets should be accounted.	Actions will be taken to capitalize.
(iv)	Rs.848,193 spent for development of libraries in the year under review had not been capitalized.	All fixed assets should be accounted.	Actions will be taken to capitalize.

(v)	No allocation had been made for sum of Rs.5,239,207 due to Local Govt. Services pension contributory fund at the end of the previous year..	It should be accurately accounted.	Information have been requested from Pension Dept. and actions will be taken to adjust accounts upon receipt thereof.
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(b) Non - reconciled accounts

Audit observation	Recommendation	Comments made by Accounting Officer
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Difference of total was Rs.57,871,088 between balance of 09 account subjects of total Rs.116,348,398 which are included in financial statements and related documents and schedules thereto	Actions should be taken to compare differences of accounts concerned and correct accounts.	Actions will be taken to find reasons for differences between balances concerned and balances of used documents and correct the same by journals.
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(c) Unavailability of necessary documentary evidences for the audit

Audit observation	Recommendation	Comments made by Accounting Officer
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In the audit it was unable to satisfactorily observe 08 account subjects of which Total Rs.188,113,605 since needy information was not presented.	Evidences by which account balances stated in financial statements are proved should be presented.	Actions were taken to update and maintain register of fixed assets and there are account subjects that could not be specifically proved though previous documents of 10 years were checked.
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1.4 Non - compliance

1.4.1 Non - compliance with rules, regulations and management decisions

Occasions of non compliance with rules, regulations and management decisions are as follows.

Reference to rules, regulations and management decisions	Non - compliance	Recommendation	Comments made by Accounting Officer
(a) Pradeshiya Sabha Rules of 1988 (Financial & Admin.)			
Rule 193	Actions had not been taken to compare budgeted and supplementary expenditure with actual expenditure of object codes and to forward statement of reasons for excess and deficits.	Actions should be taken as per rules.	Actions will be taken to forward in preparation of final accounts of 2020.
(b) Financial Regulation of Democratic Socialist Republic of Sri Lanka 703 (1) (b)	Contract of construction of vehicle yard of the premises of Sabha office had been assigned to a sub contractor by contracting society.	Actions should be taken as per Financial Regulation.	Sabha approval was not given at any occasion to award the contract to a sub contractor.
(c) State Finance circular 01/2012 dated 05 January 2012	Contracts of construction of industries had been awarded to societies without inspection of suitability of assigning work contracts to community based organizations.	Actions should be taken as per the circular.	Actions will be taken to bring list of registered and approved active societies and to award work and contracts only for such community based organizations.

2. Financial Review

2.1 Financial Results

As per financial statements presented, Sabha income exceeding recurrent expenditure for the year ended by 31st December 2019 under review was Rs.14,357,501 and comparing with the previous year income exceeding recurrent expenditure was Rs.12,940,635.

2.2 Income Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

Income source	2019				2018			
	Estimated income	Billed income	Collected income	Total arrears as at 31 st December	Estimated income	Billed income	Collected income	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	4,092,000	3,802,843	4,132,592	1,226,921	2,012,000	2,168,357	1,990,568	1,556,670
Rentals	5,920,550	4,585,811	4,862,529	7,060,819	3,600,000	3,363,845	2,834,789	7,337,537
Permit fees	1,495,600	1,665,340	1,665,340	--	1,875,000	1,717,457	1,717,457	--
Other income	26,302,000	22,457,837	3,240,603	48,075,703	16,500,000	15,740,689	9,145,408	28,858,469
Total	37,810,150	32,511,831	13,901,064	56,363,443	23,987,000	22,990,348	15,688,222	37,752,676

2.2.2 Rates & Taxes

Audit observation	Recommendation	Comments made by Accounting Officer
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(a) Rates

Balance of Arrears of rates at the beginning of the year under review was Rs.1,516,613 and Rs.3,646,821 was to be recovered with Rs.2,130,208 being billings surcharges of the year. At the end of the year there was a minus balance of Rs.1,180,249 since total recoveries within the year was Rs.2,466,572.	Arrears of income should be received soon.	Actions have been taken to recover Rs.54,114 from balance of arrears as at 30 th April 2020.
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(b) Acreage Tax

Initial balance was Rs.40,057 while sum of Rs.55,592 was to be recovered with billings of the year Rs.15,535. Since total recoveries within the year was Rs.8,920 arrears was Rs.46,672 at the end of the year under review.	Arrears of income should be received soon.	As per Sabha decision No. 2019/A.P.S./Sabha Proposal/05.03.(i), Sabha has decided to write off Rs.4,259 pertaining to arrears of acreage taxes. Future actions will be taken accordingly and actions will be taken to recover arrears of acreage tax from remaining properties.
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2.2.3 Rentals

Audit observation	Recommendation	Comments made by Accounting Officer
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(a) Boutique rentals

Initial balance arrears was Rs.6,703,227 while sum of Rs.9,604,352 was to be recovered along with billings and surcharges of the year Rs2,901,125. Since total	Arrears of income should be received soon.	It has been referred to Commissioner of Local Govt. to take over the possession of 10 boutique rooms who have neglected payments of arrears of boutique rentals and actions will be taken to take over the possession of
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recoveries within the year was Rs.2,983,693 arrears was Rs.6,620,659 at the end of the year.

another 15 boutique rooms.

(b) **Ground tax**

Initial balance arrears was Rs.635,195 while sum of Rs.1,056,811 was to be recovered along with billings and surcharges of the year Rs.421,616. Since total recoveries within the year was Rs.616,651 arrears was Rs.440,160 at the end of the year.

Arrears of income should be received soon.

Actions will be taken to resurvey units of ground tax stated in register of ground tax and prepare plans based on survey done within the year under review pertaining to units of ground tax belonged to Sabha.

2.2.4 Court fines and stamp fees

Audit observation

Recommendation

Comments made by Accounting Officer

At the end of the year under review sum of Rs.2,639,716 being court fines and Rs.44,508,569 being stamp fee were to be received from Chief Secretary and other authorities of Provincial Council.

Arrears of income should be received soon.

Request has been made to obtain arrears of court fines and stamp fees and sum of Rs. 4,532,716 out of arrears of stamp fees has been received up to 31st May 2020.

3. Operating Review

3.1 Performance

As per section 3 of Pradeshiya Sabha Act, the Sabha was expected to perform duties such as regularizing and control of public health, public utilities services and matters pertaining to public roads, well being of people, convenience and welfare. Matters revealed pertaining to performance of such functions are as follows.

(a) Sub statutes

Audit observation -----	Recommendation -----	Comments made by Accounting Officer -----
Although it has been decided to recover garbage tax by imposing sub statutes from the year 2002, no action had been taken even by 31 st January 2020 to recover an amount of tax for garbage collected from hospitals, factories, housing complexes and boutiques of fish and meat.	Actions should be taken as per sub statutes.	Actions will be taken to recover garbage tax from the year 2021 since production of composed fertilizer has been commenced at the yard of garbage disposal.

(b) Solid waste management

Audit observation -----	Recommendation -----	Comments made by Accounting Officer -----
Daily collection of garbage within Sabha area about 5000 kg had been improperly disposed into a marshy land called Benagawagoda situated in the center of the city.	Garbage should be disposed in a proper way.	Although daily collected garbage were disposed into marshy land called Benagawagoda from 19 th March 2020, from that day itself garbage are brought to yard of garbage for recycling.

3.2 Management inefficiencies

Audit observation -----	Recommendation -----	Comments made by Accounting Officer -----
(a) No estimates had been prepared in using Backhoe of the Sabha for development activities and final rate had not been certified by an authorized officer. As a result, it was unable to assure fuel expense of Rs.857,990 spent for using in service for a period of 880.4 meter hours in the year under review.	It should be properly used for development purposes by preparing estimates.	In daily using of machines start mileage and final mileage had not been certified by an authorized officer and approval from the Chairman had been obtained for such daily service.

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| (b) | From the year 2017, 61 unauthorized constructions had been reported as per sections 49 and 52 of Pradeshiya Sabha Act No. 15 of 1987 and only notices had been issued for 53 of them and no program had been prepared for that purpose. | Should act as per the Act. | Written instructions have been given to two Technical Officers in order to inspect unauthorized constructions and take legal actions. |
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3.3 Human Resources Management

Audit observation	Recommendation	Comments made by Accounting Officer
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(a) **Vacancies & excess of cadre**

No actions had been taken to fill 19 vacancies of approved posts and regularize excessive cadre of 02 employees.	Vacancies should be filled and excessive posts be regularized.	Post of Community Development Officer is not included under approved cadre and there was 01 vacancy of secondary level as at 01 st June 2020. It has been informed to temporary stop recruitment for vacancies of primary service category.
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| (b) | An additional expenditure of Rs.4,631,912 had to incurred for the year under review due to non assignment of duties for Health and Road labourers recruited and re-recruitment of employees on substitute basis. | Duties of the post should be assigned. | 03 posts of work field labourers and 02 Health Labourers were recruited due to insufficiency of present labourers and approval from authorities has not been received for filling vacancies. |
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3.4 Operating inefficiencies

Audit observation	Recommendation	Comments made by Accounting Officer
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(a) Agreements of 207 Sabha boutique rooms had not been updated once in 03 years as per section 5 of circular No. SPC/A/5/6 dated 27 th December 2010 issued by Southern Provincial Commissioner of Local Government.	Should act as per the circular.	Agreements for 57 boutique rooms of Akuressa Pradeshiya Sabha have been updated and actions have been taken to update agreements.
(b) Monthly rental of 151 boutique rooms had not been assessed once in 05 years as per circular No. SPC/A/5/6 dated 27 th December 2010 issued by Southern Provincial Commissioner of Local Government.	Should act as per the circular.	Rates not carried out as it is difficult to increase rentals due to weaknesses of places of boutiques of public market.

3.5 Assets management

3.5.1 Non assurance of protection of assets

Audit observation	Recommendation	Comments made by Accounting Officer
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(a) Deeds of 22 Sabha lands and survey plans of 24 lands were not available.	Actions should be taken to prepare deeds and survey plans for the lands.	Actions will be taken to prepare deeds and survey plans for lands which have no deeds and survey plans.
(b) No proper actions had been taken pertaining to 09 encroached Sabha lands containing in extent 02 acre 20.84 perches and 02 lands of which extent has not been stated in documents.	Necessary actions should be taken soon.	Actions will be taken for proper measures pertaining to unauthorized Sabha lands encroached.