

Akmeemana Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 07 August 2015 while Financial Statements relating to the preceding year had been submitted on 25 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 08 October 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Akmeemana Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting Policies followed by the Sabha had not been disclosed together with the financial statements.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a) While provision had not been made for payments to be made amounting to Rs.7,213,928 in respect of 20 Works as at 31 December of the preceding year, those payments had been debited to the Capital Expenditure Account during the year under review. Due to that, the Accumulated Fund and Capital Expenditure for the year had been overstated at the rate of Rs. 7,213,928.
- (b) Capital Grants Receivable amounting to Rs. 10,011,119 for 18 Works as at 31

December of the year under review had not been shown in the financial statements. Due to that, Capital Grants and Debtors for the year under review had been understated at the rat of Rs. 10,011,119.

- (c) Capital Expenditure Payable amounting to Rs. 13, 916,372 for 29 Works as at 31 December of the year under review had not been shown in the financial statements. Due to that, Capital Expenditure and Creditors for the year under review had been understated at the rat of Rs. 13, 916,372.
- (d) Value of the New Multi-Purpose Building amounting to Rs. 2,367,833 constructed during the year under review had not been capitalized.
- (e) Fixed Assets totalling Rs.136,850 as Furniture and Fittings amounting to Rs. 103,000 and Machinery and Equipment amounting to Rs. 33,850 purchased during the year under review had not been capitalized.
- (f) Purchase of Fixed Assets amounting to Rs.1,147,800 had been shown as Recurrent Expenditure in the financial statements.
- (g) Although the Members' Allowance relevant to the year under review is Rs.1,198,750, a sum of Rs.698,500 after deducting Rs.500,250 as Motor Cycles Loan Installments only had been shown as Members Allowance in the financial statements. Due to this, expenditure for the year under review had been understated in a sum of Rs.500,250.

1.3.3 Non-reconciled Control Accounts

A difference of Rs. 445,677 was observed between the balances according to control accounts relevant to 04 items of accounts and the balances according to subsidiary registers.

1.3.4 Lack of Evidence for Audit

Evidences such as Ownership Deeds, Valuation Reports, up dated Fixed Assets Register, Board of Survey Reports, Schedules, Properly Maintained Creditors Registers, Confirmations of Balances Age Analysis and Properly Maintained Advance Registers connected with transactions totaling Rs.37,937,333 shown in the financial statements were not furnished to audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

(a) Foreign Study Tours

A sum of Rs. 1,270,855 had been paid to the Chairman, Vice Chairman and 12 Members for 02 Foreign Study Tours out of the Sabha Fund which is not a function shown in Section 132 of the Pradeshiya Sabha Act No. 15 of 1987, for which legal provision had not been made for application of Pradeshiya Sabha Fund.

(b) Expenditure for Functions

Although the total expenditure to be incurred for functions relating to a matter connected with common interest should not exceed one thousand Rupees per annum and in the event of exceeding that prior written sanction of the Minister in Charge of the subject should be obtained in terms of Section 132(a) of the Pradeshiya Sabha Act No.15 Of 1987, a sum of Rs.116,218 had been spent out of the Sabha Fund for three functions without obtaining such sanction.

2. Financial and Operating 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 2014 amounted to Rs.3,454,571 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,617,686.

2.2 Bank Accounts

- (i.) While a separate current account had not been maintained for incurring expenditure relating to Works, all transactions had been made through one account.

- (ii.) Action had not been taken to rectify the errors amounting to Rs. 7,952 identified in preparation of the bank reconciliation statements.

2.3 Revenue Administration

2.3.1 Rates and Acreage Tax

Action in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover Rates amounting to Rs. 3,881,981 and Acreage Tax amounting to Rs.314,477 due to be recovered to the Pradeshiya Sabha relevant to the year under review and past years.

2.3.2 Lease Rent

Action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken during the year under review as well to recover Lease Rent amounting to Rs.504,447 due to be recovered to the Pradeshiya Sabha relevant to the year under review and past years.

2.3.3 Trade License Fees

Action in terms of Section 152(4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken during the year under review as well to recover Trade License Fees amounting to Rs.155,852 due to be recovered to the Pradeshiya Sabha during the year under review and past years.

2.3.4 Courts Fines and Stamp Fees

Courts Fines amounting to Rs.1,731,110 and Stamp Fees amounting to Rs. 27,032,741 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014.

3. Operational Review

3.1 Management Inefficiencies

Declarations of Assets and Liabilities had not been furnished by the Vice Chairman and 03 Sabha Members during the year 2011, by the Vice Chairman and 08 Sabha Members during the year 2012, the Chairman, Vice Chairman and 11 Sabha Members during the year 2013 and the Chairman, Vice Chairman and 12 Sabha Members during the year 2014 as required in terms of the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No.74 of 1988, even up to 25 September 2015.

3.2 Operating inefficiencies

Following observations are made.

- (a) A surcharge of Rs. 140,457 was due to be paid, imposed on the basis of not remitting funds to the Employees Trust Fund on the specified dates on behalf of employees served in the Sabha. A sum of Rs. 8,684 had been paid out of the Sabha Fund as a part payment of the surcharge during the year under review.
- (b) Action had not been taken to recover Loan Advances in arrears for more than a period of 16 years amounting to Rs.147,526 due from 05 employees left on transfers, 02 employees who had vacated service and 03 employees whose service had been suspended.
- (c) Although a sum of Rs. 287,461 prior to the year 2010 and a sum of Rs. 29,000 after the year 2012 had been granted as advances by the Sabha, those sums totaling Rs. 316,461 had not been settled.

3.3 “Galū Esala Asiriva” Program

Following matters are observed.

- (i) Although the total expenditure to be incurred for functions relating to a matter connected with common interest should not exceed one thousand Rupees per annum and in the event of exceeding that prior written sanction of the Minister in Charge of the subject should be obtained in terms of Section 132(a) of the

Pradeshiya Sabha Act No. 15 Of 1987, a sum of Rs. 686,018 had been spent out of the Sabha Fund as expenditure of the Esala Zone conducted by the Sabha during the period from 11 July to 15 July 2014, without obtaining such sanction of the Minister in Charge of the subject.

- (ii) Although it had been stated in the reports that a sum of Rs. 357,330 in cash and goods valued at Rs. 10,000 were received as donations for expenditure of the Esala Zone, those funds had not been taken to the Sabha Fund and spent.
- (iii) Although a sum of Rs. 30,000 on 26 August 2014 and a sum of Rs. 125,000 on 22 July 2014 had been received for the Esala Zone from two public institutions, only a sum of Rs. 64,000 had been spent and the balance sum of Rs. 91,000 remained idle in the General Deposits Account.

3.4 Improper Transactions

Incurring Expenditure for Training Work-Shops

A sum of Rs. 100,000 had been paid to the Secretary to the Sabha on 26 December 2014 for organizing to conduct Training Work-Shop and a Friendly Get Together for the entire staff of the Sabha without approval of the Sabha.

- (a) Although it had been informed in terms of Paragraph (iii) of the Letter No. CSA/P/1/40 dated 28 February 2007 of the Secretary to the President with regard to Public Expenditure Management, that hotels should not be selected by Ministries, Departments and Public Institutions to conduct their meetings, seminars and work-shops and that hotel charges payable for food and lodging in local travel should not be settled from government funds, contrary to that a sum of Rs. 90,000 had been paid a for a training work- shop and a friendly get together scheduled to be held in a private hotel on 27 December 2014.
- (b) Any evidence was not revealed with regard to the number of participants in the Work-shop.
- (c) Although vouchers, schedules or sub-vouchers should be submitted when making payment of dues to any party in terms of Pradeshiya Sabha (Financial and administrative) Rule 106 of 1988, action had not been taken accordingly.

- (d) Although acknowledgement of all payment should be obtained from the payee with a duly stamped receipt where necessary, in terms of Financial Regulation 264, it was not confirmed that payment was made to a private hotel.

3.5 Idle Assets

Although it had been informed vide Circular No. PCMD/PR//2013 dated 05 Jun 2013 of the Secretary to the President to prepare a scheme by 05 September 2013 for disposal of old vehicles and machinery and equipment getting deteriorated without being used in Government Institutions, a Double Cab vehicle valued at Rs. 1,000,000 and a Hand Tractor, 02 Trailers and a Water Bowser value of those could not be identified and in the custody of the Sabha had remained idle in the Sabha ground.

3.6 Assets Management

Although the maintenance and repairs of 04 vehicles used by the Sabha are carried out by the Sabha, ownership of those vehicles had not been transferred in favor of the Sabha up to 25 September 2015, date of audit.

Registration Certificate of the cab vehicle received from the Galle Chief Secretary's Office on 28 February 1993 was not in the custody of Sabha. The vehicle had been engaged in running since the year 2010, by the Sabha, without obtaining the revenue license and the insurance certificate of the vehicle as well.

3.7 Identified Losses

- (i.) While 616 Galvanized Pipes of 1 ¼" (GI Pipes) had been provided to the Sabha during November 2014 by the Ministry of Local Government and Provincial Councils, those had not been recorded in the Inventory Register.
- (ii.) There was a shortage of 44 pipes provided to the Sabha as it was observed that there were only 572 pipes in the custody of the Sabha. Value of those had been Rs. 48,708.

3.8 Projects Delays

A sum of Rs.735,000 received under the Southern Province Development Plan during the years 2013 and 2014 for implementation of 03 Projects in the area of authority of the Sabha had been kept idle in a the bank account without being used for the Projects, even as at 25 September 2015, date of audit.

4. Accountability and Good Governess

4.1 Budgetary Control

Material variances were observed between the estimated and actual revenue and expenditure. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.

4.2 Audit Queries not Replied

While replies had not been furnished to 14 audit queries as at 31 December of the year under review, value of transactions that could be computed subject to those audit queries was Rs.12,847,108.

5. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management