

**Akmeemana Pradeshiya Sabha**

**Galle District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 04 June 2013 and the financial statements for the preceding year had been presented on 12 December 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 29 November 2013.

**1.2 Opinion**

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Akmeemana Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting policies**

Accounting policies followed by the Sabha had not been disclosed along with the financial statement.

**1.3.2 Accounting Deficiencies**

The following observations are made.

- (a.) Plant and Machinery valued at Rs.1,385,000 and furniture and equipment valued at Rs.2,904,036 purchased during the year under review had been shown in the financial statements as recurrent expenditure, instead of being shown as capital expenditure.
- (b.) Fixed assets valued at Rs.20,114,786 purchased during the year under review had been shown in the financial statements as recurrent expenditure, instead of being shown as capital expenditure.
- (c.) Billing of revenue from court fines relating to the year under review had been understated in the financial statements by Rs.500,000.
- (d.) Court fines amounting to Rs.500,000 received in respect of the year under review had been shown in the accounts as receipt of stamps fees.

- (e.) Members allowances of the year under review amounted to Rs.908,000. But, the net payment of Rs.376,750 after deducting the loans amounting to Rs.531,250 had been debited to the item of expenditure 1-101-9. Therefore, Members allowances had been understated by Rs.531,250.
- (f.) The balance of contributions payable to the Director General of Pensions as at 31 December of the year under review amounted to Rs.2,813,479 whereas it had been shown in the financial statements as Rs.66,468 thus understating the balance payable by Rs.2,747,011.

**1.3.3 Lack of Evidence for Audit**

(a.) Un-answered Audit Queries

Replies to 12 audit queries had not been furnished as at 31 December of the year under review. The value of quantifiable transactions relating to the audit queries amounted to Rs.4,183,653.

(b.) Non-submission of Information to audit

Transactions totaling Rs.67,175,734 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

**2. Financial and Operating Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.1,825,908 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,473,016 for the preceding year.

**2.2 Revenue Administration**

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

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	T u 0 ø 2	T u 0 ø 2	T u 0 ø 2 2

(i.) Rates and Taxes	2,396	5,364	1956
(ii.) Lease Rent	1,710	1,595	436
(iii.) Licence Fees	867	808	258
(iv.) Service Charges	4,687	4,816	-
(v.) Other Revenue	26,928	11,738	31,621

### 2.2.2 Revenue in Arrears

Rates and taxes amounting to Rs.1,666,027; acre tax amounting to Rs.289,766 and lease rent amounting to Rs.436,102 due to the Sabha for the year under review and previous years had not been recovered in terms of Section 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987.

### 2.2.3 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i.) Court Fines	1,142,261
(ii.) Stamp Fees	18,083,595

### 2.2.4 Bank Accounts

The following observations are made.

- (a.) According to the Bank Reconciliation Statement for the month of August 2013 there were 203 cheques valued at Rs.1,030,188 issued but not presented for payment for over 06 months. Action had not been taken in terms of Financial Regulation 396(d) of the Republic of Sri Lanka in this connection.
- (b.) Action had not been taken to identify and settle the direct credits amounting to Rs.2,976,475 and bank debits amounting Rs.31,317.
- (c.) Cheques valued at Rs.5,429 not realized had not been identified and settled.

### 2.3 Irregular Transactions

The following observations are made.

- (a.) Payment of Planning Committee Allowances

According to Paragraph 04 of the Circular No.05/01/119/ ix dated 26 February 1992 of the Director General of the Urban Development Authority, the decision of the Sabha of the local authority should be approved by the respective Commissioner of Local Government before payment of Planning Committee allowances. However, action had not been taken accordingly while making payment of Committee allowances amounting to Rs.146,800 for the year 2012. A sum of Rs.24,000 had been paid during 2012 to 04 officers not participated in Committee meetings.

- (b.) Expenses of the Opening Ceremony of the New Building of the Pradeshiya Sabha  
According to Section 132(J) of the Pradeshiya Sabha Act No.15 of 1987, the total expenditure on ceremonies with public significance should not exceed Rs.1,000 for one year and in case of exceeding the limit, prior approval of the Minister should be obtained for it. However, an expenditure of Rs.615,065 had been spent on 20, 21 and 22 August 2012 in respect of the opening ceremony of the New Building of the Sabha without obtaining such approval.
- (c.) Recruitment of Substitute Employees and Payment of Salaries  
According to the Management Services Circular No.28 dated 10 April 2006, prior approval of the Department of Management Services should be obtained for recruitments on permanent/ temporary/ casual/ substitute/ contract or any other basis. Nevertheless, 49 substitute employees had been recruited by the Sabha without obtaining such approval and salaries amounting to Rs.6,110,684 had been paid from the Sabha funds during 2012.
- (d.) Purchase of Electricity Poles  
(i.) Six electricity poles had been purchased at Rs.1,085,359 on 25 September 2012.

- (ii.) Purchases between Rs.01 million to Rs.05 million had not been referred to the Ministry Procurement Committee in terms of the provisions of 2:14:1 of the Government Procurement Guidelines. The requirements for installing electricity poles had not been identified. A new town development plan also had not been prepared.

#### **2.4 Operating Inefficiencies**

- (a.) Statements of Assets and Liabilities had not been submitted to the Sabha by 08 Members even as at 06 October 2013; the date of audit examination; in terms of the requirements of the Declaration of Assets and Liabilities Act No.01 of 1975 as amended by Act No.74 of 1988.
- (b.) Governmental procurement procedures and action had not been taken to recover the loan balances of officers transferred out in terms of Section 1:6 of the Chapter xxiv of the Establishments Code.
- (c.) Electrical goods valued at Rs.1,393,620 had been issued during 2012 for repairs and maintenance of street lamps within the area of authority of the Sabha. But, only a sum of Rs.77,238 had been got reimbursed by the Sabha in terms of the agreement entered into with the Ceylon Electricity Board for the year 2012.
- (d.) According to Paragraph 07 of the Circular No.05/02/1/384 dated 16 December 2008 of the Director General of the Urban Development Authority; a conformity certificate should be obtained for every construction. However, only a few conformity certificates had been issued by the Sabha in respect of construction of houses and business entities.
- (e.) A corporate plan at least for 03years had not been prepared in terms of letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance and an action plan also had not been prepared for the year under review.
- (f.) An annual procurement plan had not been prepared in terms of National Budget Circular No.128 dated 24 March 2006.

#### **2.5 Internal Audit**

An adequate internal audit had not been carried out by the Institution. An Audit and Management Committee had not been established in terms of the Circular No.

PE/F/S/4(xiii) dated 28 August 2006 of the Secretary to the Ministry of Finance and Planning.

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Stock Control
- (d.) Assets Management
- (e.) Contract Administration