

Akuressa Pradeshiya Sabha
Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial statements for the year under review was presented to audit on 28 February 2013 and the financial statements for the preceding year had been presented to audit on 06 July 2012. The report of the Auditor general for the year under review was finished to the Chairman of the Sabha on 09 September 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 Akuressa Pradeshiya Sabha for the year ended 31 December 2012 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Even though the Community Development Officer had obtained an advance of Rs.20,000 on 28 November 2011 in connection with the Local Government Sports Festival 2012, that advance had neither been settled as at the end of the year under review nor brought to account as a balance receivable.
- (b.) Even though the capital grant debtors of the year under review amounted to Rs.23,314,279, only a sum of Rs.18,222,775 had been brought to account under 32 journal entries. The understatement amounted to Rs.5,091,504.
- (c.) The value of works creditors as at the end of the year under review amounting to Rs.9,018,794 had not been brought to account.
- (d.) In recording the expenditure in the Income and Expenditure Account for the year under review, provision had been made again for the creditors of the preceding year settled in the under review. As such the expenditure for the under review had been overstated by a sum of Rs.16,717,625.

- (e.) According to the main ledger, the capital grants amounted to Rs.34,656,778 whereas it had been shown as Rs.37,981,873 in the income and Expenditure Account. Thus the overstatement amounted to Rs.3,325,095.
- (f.) Action had not been taken over a long period for the settlement of the Athuruliya Pradeshiya Sabha Loan Account amounting to Rs.760,510.
- (g.) The totals of the balance of the Accounts Receivable and the Accounts Payable older than one year as at 31 December 2012 amounted to Rs.1,000 and Rs.15,181,943 respectively.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.44,162,855 could not be satisfactorily vouched in audit due to the 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 a surplus of Rs.12,570,625 as compared with the corresponding surplus of Rs.4,421,145 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Source of Revenue	Estimated Revenue	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	3,081	3,087	1,640
(ii.) Lease Rent	3,920	4,567	3,240
(iii.) Licence Fees	881	875	Nil

(iv.) Other Revenue	8,547	8,926	24,766
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2.2.2 Rates

The following observations are made.

- (a.) Action in terms of the provisions in Sections 158 and 159 of the Pradeshiya Sabha Act, No.15 of 1987 had not been taken for the recovery of the rates amounting to Rs.1,007,610 receivable in respect of the year under review and the preceding years.
- (b.) Even though bills amounting to Rs.2,342,598 had been issued for the rates in respect of the year under review only a sum of Rs.1,727,549 had been collected. Out of the arrears amounting to Rs.1,053,456 as at 01 January 2012 only a sum of Rs.470,621 had been collected. As such the progress of collection of rates had been 74 per cent and 45 per cent respectively.

2.2.3 Ground Rent

According to the agreement on ground rents the annual ground rent should be paid in 12 installments or in one lumps sum during the year. Nevertheless, a sum of Rs.533,227 had not been recovered as at 31 December 2012 from 31 trade stalls.

2.2.4 Trade Stall Rents

Key money amounting to Rs.4,559,622 had not been recovered from 56 trade stalls of the Akuressa Public Market Complex as at the end of the year under review. A sum of Rs.672,921 remained recoverable from 111 trade stalls which had not paid the monthly rent in terms of clause 24 of the lease agreement.

2.2.5 Court Fines and Stamp fees

The 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	447,068
(ii.) Stamp Fees	5,880,047

2.3 **Irregular Transactions**

The following observations are made.

(a.) **Payment for Mobile Phone Bills**

The approval for the payment of Rs.2,000 per month for the Chairman and Rs.1,500 per month for the Vice Chairman from the Sabha Fund for settlement of mobile phone bills had been granted in the letters No.SLG/B/05/6/Gen. dated 23 April 2009 and No.SLG/AD/03/09 dated 02 September 2009 respectively. Nevertheless, a sum of Rs.33,064 exceeding those limits had been paid from the Sabha Fund for the settlement of the mobile phone bills of the respect of the period August 2011 to October 2012.

(b.) **Payment of Travelling Expenses**

Even though the travelling expenses should be paid on the formal voucher prepared by giving the date, time and the places visited and the duties assigned, the travelling expenses of the Chairmen and 11 members in respect of the year 2012 amounting to Rs.351,000 had been paid by adding to the monthly allowance of remembers.

2.4 **Development of Bachoe Machine**

The Sabha had purchases a JCB Backhoe machine on 08 July 2010 for a sum of Rs.9,500,000 from a private company. The following observations are made in this connection.

(i.) Proper records had not been maintained for the deployment of the machine.

(ii.) A sum of Rs.1,278,640 recoverable for the deployment of the Bachoe machine in 39 instances in the year under review had not been recovered.

(iii.) Contrary to the decision of the Sabha dated 30 June 2010, overpayments amounting to Rs.96,971 to three drivers and Rs.20,062 in the driver's assistant had been made in the year under review.

(iv.) According to the Project Report prepared for the purchase of the machine an annual profit of Rs.485,809 from the achievement of 09 Objects had been targeted. Even though a sum of Rs.3,101,944 had been spent on the machine during the year under review and as adequate records of income and expenditure had not been maintained, the results of operations of the machine could not be accompanied.

2.5 Contract Administration

The files relating to the sum of Rs.100,000 received for earth filling on either sides of the bridge under the 2012 Members' Provision of the Southern Provincial Development Plan for the Development of the Maliduwa, Bengama- Karatuwatta, Pambawella Bridge and those relating to the expenditure amounting to Rs.391,618 incurred out of the 2013 Sabha provisions only were available in the Office. The officers responsible failed to produce the files and reports relating to the construction works carried out in the preceding periods.

Even though the Sabha had made payments for the above works, the following deficiencies, in the works carried out in the preceding years were observed at the physical inspections carried out on 15 May 2013.

- * The length-wise concrete beams had not down and warped.

- * The shuttering of the mid-section of the bridge had not been removed. As such the surface condition could not be examined.

- * There were many holes in the length-wise concrete beams of the bridge. The surface was not smooth and level and metal and iron rods had surfaced. As these instances were not conforming to the ICTAD specifications SCA/4 Section 5.4.71(a), those should have been considered as unsatisfactory work and the contractor should have been informed to dismantle them. But it had not been done.

2.6 Operating inefficiencies

The following observations are made.

- 2.6.1 Information on the balance of Rs.61,882 in the Electricity Account No.223 dormant over a long period was not made available to audit.
- 2.6.2 A Register of Fixed Assets for the accessories and software of 08 computers of the Sabha had not been maintained in terms of the Treasury Circular No.IAI/2002/02 of 28 November 2002.
- 2.6.3 Even though agreements for 06 projects valued at Rs.2,701,375 had been signed during the year under review, those Projects had not been implemented even up to the end of the year under review
- 2.6.4 As action had not been taken on 03 Projects valued at Rs.1,500,000 of the Maga Neguma Projects-2012, those Projects had been cancelled.
- 2.6.5 Even though the Commissioner of Local Government had reimbursed Rs.14,106,750 as the salaries of officers and the members' allowances in the year under review, the expenditure on salaries of the year amounted to Rs.20,098,624. As such the additional expenditure caused to the Sabha Fund amounted to Rs.5,991,874.
- 2.6.6 According to the Management Services Circular No.14 of 03 January 2002 and No.28 of 10 April 2006, the recruitment of casual, substitute and contract employees by Local Authorities had been stopped. Contrary to such provisions, 09 employees had been recruited and a sum of Rs.1,063,728 had been paid from the Sabha Fund as salaries. It had been emphasized that if recruitments are made contrary to the provisions. The Head of Institution is personality responsible in that connection.
- 2.6.7 A corporate Plan for a period of not less than 03 years had not been prepared in terms of the letter No.PF/R/2/2/3/5(04) dated 10 March 2010 of the Director General of Public Finance for the achievement of the Vision and Mission of the Sabha.

2.7 Internal Audit

The Sabha had not carried out an adequate internal audit.

3. Systems and Controls

The Special attention is drawn for the following areas of systems and controls.

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