

Akkaraipattu Municipal Council
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 05 June 2015 and the financial statements for the preceding year had been presented on 21 May 2014. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Council on 21 September 2015.

1.2 Qualified Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Akkaraipattu Municipal Council as at 31 December 2014 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 Compliance with Sri Lanka Public Sector Accounting Standards

Cash flow statements had not been furnished with the financial statements in terms of Sri Lanka Public Sector Accounting Standard No. 02.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed

- (a) The Municipal Council had purchased 1077 books valued at Rs.400,000 for the public library during the year under review. This had not been brought to accounts.
- (b) The sum of Rs.500,000 payable to the contractor for the building complex renovated and handed over to the Municipal Council on 15 December 2014 had not been shown in the accounts.
- (c) The values of 04 fax machines, 03 laptop computers, 06 water pumps and an overhead projector belonging to the Sabha had not been assessed and brought to account.
- (d) The becko machine had been hired by a private contractor for 19 hours and the sum of Rs.48,450 receivable had not been brought to accounts.

- (e) The balances of two savings accounts as at 31 December 2014 amounting to Rs.70,682 had been shown as Rs.67,598 in the financial statements. As a result, the bank balance had been understated by Rs.3,084.
- (f) One hundred and eighty bags of compost fertilizer as at 31 December, as per register of stocks, were valued at Rs.36,000. These had not been brought to accounts.
- (g) The interest revenue from fixed deposits of Rs.14,305,446 of the Municipal Council for the year under review amounting to Rs.475,805 had not been brought to accounts.
- (h) The value of 09 vehicles of the Sabha had not been assessed and brought to accounts.

1.3.3 Accounts Receivable

- (a) Action had not been taken to settle the advance of Rs.4,800 granted to the community centre. Instead, it had been continuously shown in the financial statements for 05 years.
- (b) Loan balances of Rs.17,200 were receivable from 04 officers who had been dismissed from service 2 years ago. The Council had not taken action to recover this upto 24 July 2015.

1.3.4 Lack of Evidence for Audit

The following evidence indicated against each item of account had not been furnished to audit.

Item	Value	Evidence not Furnished
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	Rs.	
Land and buildings	150,369,889	} Register of fixed assets and board of survey reports
Furniture and fittings	3,798,263	
Motor vehicles and carts	6,440,748	} Board of survey reports
Library books	2,069,825	

1.3.5 Non-compliance with Laws, Rules, Regulations etc.,

Instances of non-compliance with the following laws, rules and regulations were observed in audit.

Reference to Laws, Rules, Regulations etc.,

Non-compliance

(a) Municipal Councils Ordinance

Section 218 of Chapter 252

The annual administrative report to be prepared by the Commissioner each year, regarding his administration had not been prepared and furnished for the year 2014.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) F.R 137

Expenditure of Rs.92,736 had been incurred on newspaper advertisements without obtaining the approval of the Municipal Commissioner of the Municipal Council.

(ii) F.R 138

Paid vouchers aggregating Rs.87,340 had not been certified during the year under review.

(iii) F.R 452(1)

Seven audit queries issued during the year under review and the previous years had not been noted in the register of audit queries.

(iv) F.R 571

Action had not been taken in terms of the financial regulation with regard to 36 refundable deposits of over 2 to 5 years, valued at Rs.989,162.

(c) Value Added Tax No.14 of 2002

Action had not been taken upto 24 July 2015 to remit to the Department of Inland Revenue the value added tax of Rs.696,670 recovered from the contractors by the Council in 2012 and years prior to it.

(d) Public Administration Circular No.26/92 of 19 August 1992

State emblem had not been stencilled on 10 vehicles used by the Council.

(e) Public Administration Circular No. 8/2014 of 26 December 2014

The Council had not taken action to insure 23 vehicles during the year under review.

2. Financial 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 2014 amounted to Rs.17,592,793 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,545,325 showing an improvement in financial results of the year under review amounting to Rs5,047,468.

2.2 Revenue Administration

2.2.1 Rates and Taxes

Five tax collectors had been entrusted with duties of collecting rates and taxes of Rs.10,000,000 due from 12,872 owners of properties within the authoritative area of the Council in terms of Section 252(1)(b) of the Municipal Councils Ordinance. However, a sum of Rs.4,897,883 only had been recovered.

2.2.2

(a) Licence Fees

The Secretary had not taken legal action to recover the arrears of revenue aggregating Rs.6,799,939 for the period 1992 to end of 31 December 2013 made up of lease rent of stalls of the public market trade complex amounting to Rs.556,607, lease rent of stalls at the bus stand trade complex amounting to Rs.2,080,000, meat stall rent of Rs.3,159,412 and the lease rent of fish market and public market amounting to Rs.1,003,920.

(b) Telecommunication Tower Fees

Fees for 02 telecommunication towers established by telecommunication institutions had not been recovered during the year under review in terms of Rule 1(v) prepared by the Ministry of Urban Development and Sacred Area Development under Section 21 of the above Act, read in conjunction with Section 8 of the Urban Development Authority Act No. 41 of 1978.

3. Operating Review

3.1 Operating Weaknesses

The following observations are made.

- (a) The arrivals and departures of each officer should be noted in the register of attendance with signatures in terms of Section 1.3 of Chapter xxviii of the Establishments Code.

However, the medical officer of the Municipal Council had not signed his attendance. But, during the year under review a sum of Rs.630,072 had been paid to him as salaries and allowances.

- (b) Salary increments had not been paid since the date of appointment to 70 employees such as sanitary labourers, watchers and K.K.SS appointed by the Sabha in 2012.
- (c) According to the Public Administration Circular No.2001/15, finger print machines should be made use of, in government offices where over 25 officers are employed. However, finger print machines had not been made use of, at the Municipal Council where 130 officers had been employed.

3.2 Operating Inefficiencies

(i) Trade Licence Fees

The Municipal Council had estimated to recover trade licence fees amounting to Rs.1,500,000 from 75 trade establishments operating within the area of the Municipal Council. However, revenue amounting to Rs.1,248,750 only had been recovered from those institutions during the year under review.

(ii) Lease of Stalls

The Municipal Council had obtained only Rs.159,000 as revenue from 53 out of 96 stalls during the year under review. As a result of not taking action to offer the rent of 43 stalls on lease, the Council had been deprived of a revenue of Rs.129,000.

3.3 Idle Assets

The following observations are made.

- (a) Eight vehicles of the Sabha including 04 tractors, 02 trailers, a double cab and an excavator belonging to the Sabha which could be repaired and made use of, remained idle without being repaired for over 2 years.
- (b) A bare land of 01 acre in the midst of the town purchased for Rs.6,400,000 in 2010 had not been made use of, upto now.

3.4 Human Resources Management

Eleven vacancies comprising 03 vacancies in the executive posts, 5 vacancies in the posts of Management Assistants and 3 vacancies in the minor employees' grade existed for 5 years.

4. Accountability and Good Governance

4.1 Internal Audit

Paragraph 8 of the circular No.03 dated 08 November 2005 of the Ministry of Local Government relating to Local Government Reforms states that each local authority should establish their own internal audit branch according to their ability. The Sabha had not established an internal audit branch as directed.

4.2 Budgetary Control

Variances ranging from 25 to 123 per cent were observed between the budgeted expenditure and the actual expenditure showing that the budget had not been utilized as efficient instrument of management control.

5. Systems and Controls

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

- (a) Accounting
- (b) Collection of Revenue
- (c) Budgetary Control
- (d) Fixed Assets Control