

Akuressa Pradeshiya Sabha
Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 24 February 2014. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 21 July 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Akuressa Pradeshiya Sabha 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 Accounting Policies

Notes relating to accounting policies and assumptions followed in preparation of accounts for the year under review had not been furnished together with the accounts.

1.3.2 Accounting Deficiencies

Following deficiencies are observed.

- (a) According to the survey of Lands and Buildings as at 31 December 2014, value of 28 Lands and Buildings had not been assessed and shown in the Balance Sheet under the value of Lands and buildings as at the end of the year under review.
- (b) While the Double Cab Vehicle valued at Rs. 6,390,000 had been received to the Sabha on 09 December 2014, that asset had not been shown in the financial statements.

- (c) Capital Expenditure incurred amounting to Rs. 159,718 during the year under review by the Sabha had been accounted under recurrent expenditure.
- (d) During the year under review 04 vehicles had been received as donations to the Sabha from the Central Environmental Authority and the Ministry of Local Government. Although the cost of those vehicles was Rs. 6,199,000 the amount capitalized under Motor Vehicles had been Rs. 6,975,000. Due to that, a sum of Rs. 776,000 had been overstated in the accounts.
- (e) Two Items of Fixed Assets purchased for Rs. 209,500 during the year under review had not been capitalized.
- (f) Although the value of Stamp Fees Debtors provided as at 01 January 2014 was Rs. 5,284,240 according to the Main Ledger, a sum of Rs. 7,336,840 had been received during the year under review. Accordingly, the additional amount received amounting to Rs. 2,052,600 had not been credited to Accumulated Fund having debited the Debtors Account. Due to that, Debtors Account had been understated to that extent as at the end of the year under review.
- (g) Although a Capital Grant of Rs. 2,853,690 received to the Pradeshiya Sabha relevant to the year under review should have been credited to the Capital Grants Revenue Head, it had been credited to the Capital Grants Debtors Account.
- (h) While a sum of Rs. 408,650 had been recovered when making Reimbursement of Members Allowance by the Southern Province Local Government Department as loan installments for Motor Cycles provided to the Members on loan basis, that amount had not been accounted under Revenue Grants.

- (i) A sum of Rs. 135,750 paid as allowances during the year under review had been debited to Expenditure Item No. 105(9)(ii)- Payments to Government Departments for Other Services without being debited to the relevant Expenditure Item.
- (j) Although a sum of Rs. 1,277,460 had been transferred to the Revenue and Expenditure Account as expenditure relevant to the year under review according to the Interest Payments, Dividends and Bonus Payments Account (Expenditure Item 506) in the Main Ledger, only a sum of Rs. 1,244,460 had been accounted and therefore the amount understated in accounting had been Rs. 33,000.
- (k) Although the value of Water Works Stock according to the financial statements at the end of the year under review was Rs. 158,857, according to stock schedule furnished value had been Rs. 182,220 and therefore the amount understated in accounting had been Rs. 23,363.

1.3.3 Unreconciled Control Account

While the total of balances relevant to eight items of accounts shown in the Main Ledger Control Accounts was Rs. 68,666,141, according to the schedules the total value of balances had been Rs. 62,555,479. Accordingly the deference had been Rs. 6,110,662.

1.3.4 Accounts Receivable and Payable

- (a) Value of Balances Receivable that had been outstanding for more than a year as at 31 December 2014 was Rs. 7,824,337.
- (b) Value of Balances Payable that had been outstanding for more than a year as at 31 December 2014 was Rs. 2,054,760.

1.3.5 Lack of Evidence for Audit

The Register of lands and Buildings, Register of Machinery and Equipment, Board of Survey Reports, updated and properly maintained Register of Vehicles, Inventory Register, Creditors Schedules and Age analysis Reports, Investments Register, Schedules showing Individual Loan Balances etc. relevant to 09 Items of accounts valued at Rs.117,782,741 shown in the financial statements were not submitted to audit.

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. 14,282,636 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 9,683,321.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

Source of Revenue	Estimated Revenue	Actual	Cumulative Arrears as at 31 December 2014
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates	3,705	3,668	1,239
(ii.) Lease Rent	5,860	5,399	4,639
(iii.) Other Revenue and Aid	45,538	107,182	63,192

2.2.2 Rates

- (a) While Rates for the year under review with surcharges amounted to Rs.2,349,356, receipts during the year out of that sum had been Rs.1,857,681. Accordingly, the recovery percentage during the year had been 79%. While Rates in arrears as at 01 January 2014 was Rs. 1,489,019, the amount recovered out of that was Rs.784,100. Accordingly, recovery percentage of arrears had been 52 per cent.
- (b) Although it is required to take action in terms of provisions in Section 158 (i) (ii) of the Pradeshiya Sabha Act No. 15 of 1987 when Rates and Acreage Taxes are to be recovered to the Pradeshiya Sabha are not paid within the specified time, Revenue to be received for the year under review and the two preceding years amounting to Rs. 1,396,319 was in arrears.

2.2.3 Acreage Tax

While there was no Acreage Tax billing relevant to the year under review, the balance in arrears as at 01 January 2014 had been Rs. 45,304. Recovery of arrears during the year had been Rs. 11,704. Accordingly, recovery percentage of arrears had been 25 per cent.

2.2.4 Lease Rent

- (i.) While the arrears of Lease Rent to be recovered as at the end of the year under review was Rs. 4,565,987, a sum of Rs. 3,303,591 due for the past years was included in that amount. Accordingly, out of those arrears 72 per cent had been relevant to the past years.
- (ii.) While the Ground Lease Rent to be recovered as at the end of the year under review was Rs. 551,096, a sum of Rs. 492,375 in arrears relevant to the past years was included in that amount. Accordingly, that value had been 89 per cent out of the Ground Lease Rent in arrears.

2.2.5 Water Charges

Water Charges in arrears as at the end of the year under review was Rs. 100,763. While sum of Rs. 16,639 in arrears relevant to the past years was included therein, that amount had been 16 per cent of the balance in arrears.

2.2.6 Court Fines

The amounts outstanding to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 are shown below.

Rs.

- | | |
|----------------|-----------|
| i. Court Fines | 677,847 |
| ii. Stamp Fees | 1,391,243 |

3. Operating Review

3.1 Performance Evaluation

3.1.1 Administration of Roads belong to the Sabha

Following matters are observed in this connection.

- (a) Details of roads belong to the Sabha such as the number of roads, length, width, and the number of culverts and bridges to be maintained by the Sabha had not been mentioned in the Budget sanctioned by the Sabha for the year under review.
- (b) Although the number of roads belong to the Sabha in the area of authority of Sabha should be published in the Gazette in terms of Section 24 of Pradeshiya Sabha Act No. 15 of 1987, such action had not been taken with regard to new roads identified after the year 2005.
- (c) The Roads Inventory Register with updated information such as the length, width, the place of beginning, end, nature as tarred, concrete gravel relating to each road, belong to the Sabha in the area of authority had not been maintained.

3.2 Management Inefficiencies

3.2.1 Payment of Overtime

A sum of Rs. 990,960 had been paid as overtime for officers and employees of the Sabha during the year under review. Details relating to overtime limit, number of overtime hours approved, work to be completed and units etc. approved had not been furnished with the overtime vouchers.

3.2.2 Staff Loans

A sum of Rs.56,391 was outstanding to be recovered from twelve officers who had retired, vacated service and dismissed from service as at the end of the year under review.

3.2.3 Handing over of the Water Project to the Water Supply and Drainage Board

While a sum of Rs.100,763 was outstanding to be recovered from water consumers at the time of handing over of the Water Project to the Water Supply and Drainage Board during the year 2010, it was observed that a balance of Rs. 825,920 remained in the Water Deposits Account without being settled.

3.3 Idle and Under-utilized Assets

A sum of Rs. 61,882 remaining dormant in the Electricity Account during a long period had not been settled as at the end of the year under review.

3.4 Human Resource Management

Information relating to Cadre of the Sabha as at 31 December 2014 is shown below.

Category of Employees	Approved	Actual	Vacant	Excess
Tertiary	01	01	-	-
Secondary	30	27	03	-
Primary	47	34	13	-
Other	-	10	-	10
	78	72	16	10

While a sum of Rs. 18,556,966 had been reimbursed as Staff Salaries and Members Allowance from the Commissioner of Local Government during the year under review, a sum of Rs.22,800,632 had been spent as salaries and members allowance for the year. Accordingly, a sum of Rs.4,243,666 had been an expenditure burden to the Sabha Fund.

4. Accountability and Good Governance

4.1 Budgetary Control

The Budget had not been made use of as effective tools of financial management as material variance were observed between the budgeted and actual revenue and expenditure.

4.2 Internal Audit

A separate section had not been in operation for internal audit work.

4.3 Audit and Management Committees

Audit and Management Committees had not been established by the Sabha.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Budgetary Control
- (d.) Assets Management
- (e.) Stores Administration
- (f.) Human Resources Management