

**Akuressa Pradeshiya Sabha**

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**Matara District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The Financial Statements for the year under review had been presented to the Audit on 29 March 2016 and the financial statements for the preceding year had been presented to the Audit on 30 March 2015. The Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 25 November 2016.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Akuressa Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Policies**

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The accounting policies adopted for the preparation of the financial statements had not been disclosed in the financial statements.

**1.3.2 Accounting Deficiencies**

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The following accounting deficiencies were observed during the course of audit.

- (a) The value of the Tipper Truck received during the year under review had been understated by a sum of Rs.1,609,602 whilst the works creditors balance had been overstated by a sum of Rs.19,923,140 in the financial statements.
- (b) The Cab motor vehicle costing Rs.625,000 received by the Sabha in the year 1992 had not been brought to account even in the year under review.
- (c) The Stamp Duty amounting to Rs.1,414,104 received in respect of the preceding year had been brought to account as receipts for the year under review and as such the revenue for the year and the Stamp Duty receivable had been overstated in the financial statements by similar amounts.

**1.3.3 Unreconciled Control Accounts**

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Differences totalling Rs.216,045 were observed between the balances of 09 items of account shown in the financial statements and the balances appearing in the relevant subsidiary registers / schedules relating thereto.

#### 1.3.4 Accounts Receivable

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The sundry debtors balance as at the last date of the year under review totalling Rs.29,879,056 included 09 balances older than 03 years amounting to Rs.3,374,182.

#### 1.3.5 Lack of Evidence for Audit

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In view of the failure to produce documents such as the updated and properly maintained Register of Lands and Buildings and the title deeds in respect of lands and buildings totalling Rs.35,132,767 , the schedule with the adjusted value in respect of motor vehicles and carts totalling Rs.59,171,299 and the Registers of Debtors and Creditors in respect of the debtors balances amounting to Rs.7,968,314 and the works creditors balances totalling Rs.8,234,778 , those could not be satisfactorily examined in audit.

#### 1.3.6 Non-compliance with Laws, Rules and Regulations

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Instances of non-compliance as described below were observed during the course of audit.

Reference to Laws, Rules and Regulations	Non-compliance
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Financial Regulations of the Republic of Sri Lanka	
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(i) Financial Regulations 570 and 571	Action had not been taken on the Lapsed deposit balances totalling Rs.1,828,171.
(ii) Financial Regulations 1645 and 1646	The Daily Running Charts and the Monthly Performance Summaries of 21 motor vehicles of the Sabha had not been furnished to Audit.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.8,752,279 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.14,315,656. Accordingly, the financial results for the year under review, indicated a deterioration of Rs.5,563,357.

### 2.2 Analytical Financial Review

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The following matters were observed.

- (a) The expenditure of the year under review had increased by 12 per cent and the total recurrent expenditure represented 85 per cent of the total recurrent revenue. As such, the expenditure of the Sabha as compared with the revenue indicated a higher value.

- (b) A Summarized Statement of the total Recurrent Revenue, the Revenue Grants, an Self-generated Revenue and the total Recurrent Expenditure of the Sabha is given below.

Year	Total Recurrent Revenue	Revenue Grants	Self-generated Revenue	Total Recurrent Expenditure	Recurrent Expenditure exceeding Self-generated Revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	58,160,874	27,705,313	30,455,561	49,408,595	(18,953,034)
2014	52,766,032	19,456,106	33,309,926	38,483,396	(5,173,470)
2013	46,321,753	17,686,900	28,634,853	36,638,432	(8,003,579)

The following observations are made in this connection.

- (a) Even though there is an improvement of the Revenue Grants of the Sabha in the year under review and the two preceding years, a decrease of Rs.2,854,365 in the self-generated revenue is indicated as compared with the preceding year.
- (b) Even though the recurrent expenditure of all years had increased continuously in considerable measure, at a fast pace, the attention of the Sabha had not been paid for minimizing that position.
- (c) It was observed that the recurrent expenditure of the three years had increased by considerable amounts and that, if not for the receipt of the Revenue Grants, it would not have been possible in any manner whatsoever to cover the recurrent expenditure from the self-generated revenue of the Sabha.
- (c) Net Assets  
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The net assets, as compared with the preceding year, had decreased by Rs.21,272,999 or 14 per cent in the year under review.

## 2.3 Revenue Administration

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### 2.3.1 Rates and Taxes

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The following matters were observed.

- (a) Even though 28 per cent of the opening arrears and 80 per cent of the billings had been recovered in the year, action in terms of Section 158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of arrears.
- (b) The Acreage Tax had not been billed for the year under review and 19 per cent of the opening arrears balance only had been recovered. Action in terms of Section

158(1)(A) of the Pradeshiya Sabhas Act, No. 15 of 1987 had not been taken for the recovery of the arrears.

### **2.3.2 Lease Rents**

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Even though 17 per cent of the opening arrears and 75 per cent of the billings had been recovered in the year under review, the attention of the Sabha had not been paid for the recovery of arrears.

### **2.3.3 Trade Stall Lease Rents**

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The lease rents of 51 Trade Stalls of the Public Market Complex at Bangama Road had not been recovered in terms of the Circular No. දළපා/පළාතො/2010/01 dated 07 November 2010. The Sabha had been deprived of revenue amounting to Rs.1,188,000 by the end of the year under review due to the failure to lease out 07 Trade Stalls from the year 2007.

### **2.3.4 Courts Fines and Stamp Duty**

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Courts fines amounting to Rs.1,189,790 and Stamp Duty amounting to Rs.13,995,000 remained receivable as at 31 December 2015 from the Chief Secretary of the Provincial Council and other Authorities.

## **3. Operating Review**

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### **3.1 Human Resources Management**

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Action had not taken even by the end of the year under review for the formalizing of the posts of 05 employees deployed in excess of the number approved in the Cadre Plan as well as for filling of vacancies in 4 posts.

### **3.2 Staff Loans**

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Action had not been taken for the recovery of outstanding loan balances totalling Rs.54,133 recoverable from 10 employees over 10 years ago.

### **3.3 Uneconomic Transactions**

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The expenditure of Rs.1,140,370 on the relocation of the Trade Stalls situated on the land selected for the construction of a new office building had become fruitless.

### **3.4 Solid Waste Management**

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- (a) Even though by-laws had been enacted for the charging of Garbage Tax from the year 2002, Garbage Tax had not been recovered.
- (b) Action had not been taken for the acquisition of the private land used for garbage disposal or for obtaining an Environmental Permit.
- (c) Even though, the hospitals, factories, housing complexes and meat stalls dispose of about 110 tons of garbage annually, tax had not been recovered in that connection.

#### **4. Good Governance and Accountability**

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##### **4.1 Budgetary Control**

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The savings in 05 items of expenditure included in the Budget totalling Rs.11,752,201, the expenditure exceeding the limits of 02 items of expenditure amounting to Rs.1,220,661, the non-achievement of the targets of revenue in one item of revenue amounting to Rs.6,310,785 and recoveries exceeding the targeted revenue of one item of revenue amounting to Rs.4,338,169 existed. As such the budget had not been made use of as an effective instrument of management control.

##### **4.2 Internal Audit**

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Even though an adequate internal audit had not been carried out as specified in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. දපප/යහ/01/නවමේ dated 24 February 2014 of the Commissioner of Local Government of the Southern Province, a sum of Rs.427,992 had been paid in the year under review as salary and allowances to the Internal Audit Officer.

##### **4.3 Audit and Management Committee**

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Action in terms of the provisions in the Management Audit Circular No. DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

##### **4.4 Unresolved and Unreplied Audit Queries**

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Even though it was agreed, as pointed out in the preceding year, that action will be taken to assess the value of 28 lands and brought to account, action in accordance with that had not been taken.

#### **5. Systems and Controls**

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

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