

## **Akmeemana Pradeshiya Sabha**

### **Galle District**

#### **1 Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial statements for the year under review and the preceding year had been presented to audit on 31 March 2016 and 07 August 2015 respectively. The report of the Auditor General for the year under review had been sent to the Secretary of the Sabha on 18 August 2016.

##### **1.2 Qualified Opinion**

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

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Policies**

Accounting policies followed in accounting had not been disclosed in the financial statements.

###### **1.3.2 Accounting Deficiencies**

The following accounting deficiencies were observed.

- (a) Loans obtained from the Local Loans and Development Fund amounting to Rs.8,643,077 had not been brought to accounts.
- (b) Only the expenditure totaling Rs.1,087,719 incurred during the period from 01 January to 12 February 2016 had been brought to accounts as creditors of the year under review.
- (c) The contributions totaling Rs.3,072,087 payable to the Local Government Pensions Fund as at the end of the year under review had not been brought to accounts.

###### **1.3.3 Unreconciled Control Accounts**

The following observations are made.

- (a) Differences totaling Rs.7,718,375 were observed between the balances relating 10 items of accounts totaling Rs.21,241,687 shown in the financial statements and the related subsidiary books and records.

- (b) Being erroneously adjusted by deducting the house rent deposit by Rs.7,960 and tender deposit by Rs.138,330 and adding the sundry deposit of Rs.6,113,795, the balance of the general deposit register and the balance in the financial statements had been balanced each other.

**1.3.4 Suspense Account**

As relevant adjustments had not been made and settled the credit balance of Rs.4,000 remained as at the end of the previous year, the balance of that account as at the end of the year under review had increased to Rs.5,600.

**1.3.5 Accounts Receivable and Payable**

The following matters were observed.

- (a) Action had not been taken to settle the stamp fees balance of Rs.305,381 and court fines balance of Rs.677,360 brought forward prior to the year 2012, balance of Rs.165,000 receivable as reimbursements for the maintenance of street Lamps and the debtor balances totaling Rs.58,629,346 as at the end of the year under review.
- (b) Action had not been taken to settle sundry creditors balances totaling Rs.398,175 brought forward prior to the year 2008 and the audit fees of Rs.232,824 in respect of the years 2011 to 2014 even in the year under review.

**1.3.6 Lack of Evidence for Audit**

Due to the absence of evidence such as the motor vehicles register in respect of Motor vehicles and carts totaling Rs.19,689,715, files, agreements and confirmation of balances in respect of Local Loans and Development Fund loans, totaling Rs.8,643,077, schedules in respect of recoverable utility services advances totaling Rs.145,725, pre payments totaling Rs.1,386,500 of the Sabha and the General Deposit totaling Rs.7,925,555, they could not be satisfactorily examined in audit.

**1.3.7 Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following instances of non-compliance with Laws, Rules, Regulations were observed.

**Reference to Laws, rules etc.**

**Non-compliance**

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**Financial Regulations of the Republic of Sri Lanka**

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|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| (i) Financial Regulation 371(2)(b) and (c) | Advances totaling Rs.301,500 given to 06 persons in 23 instances during the period from 1997 to 2009 had not been settled. |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|

- (ii) Financial Regulations 1645 and 1646 Daily running charts and monthly performance summaries in respect of 17 motor vehicles belonged to the Sabha were not made available for audit.

## 2. **Financial Review**

### 2.1 **Financial Results**

The following matters were observed.

- (a) According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.17,942,266 as compared with the revenue over recurrent expenditure for the preceding year amounted to Rs.3,454,571. An improvement of Rs.14,487,695 was indicated in the financial results of the year under review as compared with the preceding year.
- (b) As compared the revenue with expenditure in terms of programs, expenditure over revenue was indicated in 4 programs.
- (c) According to the budget for the year under review, capital revenue and capital expenditure had been estimated at Rs.16,000,000 and Rs.29,750,000 respectively. However, the manner how the funds are raised to incur capital expenditure over capital revenue was not explained. The actual capital revenue and actual capital expenditure amounted to Rs.4,502,519 and Rs.8,673,473 respectively and as such capital expenditure of Rs.4,170,954 had been incurred over the capital revenue.

### 2.2 **Analytical Financial Review**

Percentage of receipt of revenue grants had increased as compared with the preceding year and it directly affected to increase the recurrent revenue over recurrent expenditure. Particulars appear below.

Year	Total recurrent revenue	Revenue grants	Self-operating revenue	Total recurrent expenditure	Recurrent expenditure over self-operating revenue
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	Rs.	Rs.	Rs.	Rs.	Rs.
2015	64,089,142	28,030,220	36,058,922	46,146,875	10,087,953
2014	48,990,701	15,318,434	33,672,267	45,536,129	11,863,862
2013	42,199,592	12,587,511	29,612,018	39,581,906	9,969,825

The following observations are made in this regard.

- (i) Although an improvement had indicated in the self-operating revenue and revenue grants every year the recurrent expenditure of the Sabha had continuously increased.
- (ii) Even though it was indicated that the recurrent expenditure could not be covered by the revenue of the Sabha without getting revenue grants in any way. Attention of the Sabha had not been paid to minimize the recurrent expenditure.

## 2.3 **Revenue Administration**

### 2.3.1 **Rates and Acreage Tax**

The following matters were observed.

- (a) Out of the arrears of Rs.7,852,917 recoverable for the year under review and the previous years, only a low value of a sum of Rs.2,516,614 or 33 per cent had been recovered. As a result, the arrears as at the end of the year under review had increased to Rs.5,336,303.

Action in terms of Sections 158(1)(a) and 159(1) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover the arrears of taxes.

- (b) Although the acreage tax of Rs.330,857 was due in respect of the year under review and the preceding years, only a sum of Rs.50 had been recovered during the year under review.

### 2.3.2 **Lease Rent**

The outstanding balance as at the beginning of the year under review, had increased up to Rs.608,879 or 20 per cent by the end of the year under review.

### 2.3.3 **Court Fines and Stamp Fees**

Sums of Rs.817,569 and Rs.37,957,746 were due from the Chief Secretary of the Provincial Council and other authorities as court fines and stamp fees respectively as at 31 December 2015.

## 3. **Operating Review**

### 3. **Operating Inefficiencies**

The following matters were observed.

- (a) Although a surcharge of Rs.140,457 had to be paid, as the contributions to the Employees Trust Fund had not been remitted on time for the period from January 2003 to December 2012, action against the officer responsible for it had not been taken in terms of Financial Regulations 156(1) of Republic of Sri Lanka.

- (b) In terms of Paragraph 4.1 of the Pensions Circular No.02/2011 dated 24 February, 2011, all the employees recruited on casual and temporary basis should be contributed to the Public Service Provident Fund. Nevertheless, action had not been taken accordingly.

### 3.2 **Management Inefficiencies**

#### 3.2.1 **Irrecoverable Loan balances**

- (i) Action had not been taken to recover the loan balance of Rs.384,316 recoverable from 10 employees even by the end of the year under review.
- (ii) Action had not been taken to settle the motor cycle loan balances of Rs.283,515 obtained by 8 Pradeshiya Sabha members.

#### 3.2.2. **Personnel Management**

The following matters were observed.

- (i) Excess cadre, consisting of 06 secondary level, 13 primary level and casual and 11 substitutes had existed but action had not been taken to regularize those posts.
- (ii) Although 3 management assistants posts of secondary level, one revenue overseer post and one librarian post had been vacant, action had not been taken to fill them.

#### 3.2.3 **Sub-division of lands**

The land, 15 acres, 2 roods and 9.27 purchase in extent had been divided into 187 plots by the survey plan No.383/2013. The following observations are made in this connection.

- (i) In terms of Circular No.3/2/1/10(ii) of the Urban Development Authority dated 30 September 1992, a title deed had not been obtained for the lot allotted to the Sabha.
- (ii) Land had not been partitioned in terms of conditions of the planning committee and houses had been built without getting the approval of the Sabha.
- (iii) Seven conditions determined by the Sabha relating to the portioning had not been fulfilled.

#### 3.2.4 **Motor vehicles control**

Revenue license for 13 motor vehicles belonged to the Sabha and insurance coverage for one vehicle had not been obtained and the fuel consumption of 17 motor vehicles had not been tested.

### 3.3 **Irregular Transactions**

- (a) Although a sum of Rs.220,000 had been paid for a training workshop on 27 March 2015, the approval of Sabha for payment and relevant bills had not been made available for audit.
- (b) Festival expenses of Rs.77,000 had been incurred from the fund of the Sabha contrary to Section 132(a) of the Pradeshiya Sabha Act No.15 of 1987.

### 3.4 **Delays in Projects**

Three projects estimated at Rs.1,570,303 for which the approval of the Sabha was given had not been implemented.

### 3.5 **Solid Waste Management**

Even though a sum of Rs.3 million had been approved for a waste recycle project, it had not been commenced even by the end of the year under review. Moreover, the equipment given by the Pilisaru Project of the Central Environmental Authority in the year 2011 had also been dilapidated in the premises of the Sabha, without being used for any purpose.

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

### 4.1 **Budgetary Control**

Due to the existence of savings of the entire provision of Rs.821,000 in one expenditure object, expenditure of Rs.6,139,046 incurred in excess of limits in another expenditure object, targeted revenue of Rs.22,570,754 in 6 revenue items which had not been reached, the budget had not been made use of as an effective instrument of management control.

### 4.2 **Internal Audit**

An independent person who is responsible for the management had not been appointed as the internal auditor in terms of Circular No.දළපා/යන/01/න.ව.ලේ dated 24 February 2014.

### 4.3 **Asset Management**

#### (a) **Idle and underutilised assets**

- (i) Action had not been taken to repair and use or to dispose of 5 motor vehicles parked in the Sabha premises, removed from running.
- (ii) Information about 88 G1 pipes out of 616 received from the Ministry of Local Government and Provincial Councils was not made available for audit.

#### (b) **Unacquired Assets**

Action had not been taken to transfer the ownership of 11 motor vehicles used by the Sabha even by the end of the year under review.

4.4 **Unresolved and unreplied audit queries**

The following matters were observed.

- (a) Acceptable replies to 12 audit queries issued in the years 2010 and 2011 had not been furnished and the replies to reminders thereon had also not been furnished even up to 30 June 2016.
- (b) Action had not been taken to rectify the deficiencies mentioned in sub-paragraphs (a), (b), (c), (f) and (g) of Paragraph 2.2.2 of the report of the Auditor General for the preceding year even in the year under review.

5. **Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Human Resources Management
- (e) Motor Vehicles Control