

**Akuressa Pradeshiya Sabha
Matara District**

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 09 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Akuressa Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 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 Deficiencies

The following accounting deficiencies were observed in audit.

- (a) The employees' loan balances had been set off against the stamp fees of Rs.249,440 according to the letter No.CSS/9/6/6 of 30 April 2017 of the Chief Secretary. However, this had not been adjusted and settled in the accounts.
- (b) Provision for creditors had again been made for the sum of Rs. 363,538 paid to the Local Loans and Development Fund during the year under review.
- (c) The sundry expense of Rs.411,185 payable as at of the year under review had not been brought to account.
- (d) A sum of Rs.340,000 was refundable to the Department of Local Government on behalf of 02 work proposed to be executed during the year under review but not executed. This had been brought to account as capital expenditure of the year.
- (e) Provision for debtors and creditors had not been made for 14 work valued at Rs.7,700,795 as at end of the year under review.
- (f) Contributions amounting to Rs.5,142,576 payable to the Local Government Pensions Fund as at end of the year under review had not been brought to account.

- (g) Retentions of Rs.148,460 payable on behalf of 02 work of the previous year had been brought to account as expenditure of the year under review.
- (h) Provision for creditors had again been made for the sum of Rs.899,200 refundable as a result of not executing the work proposed to be done under the Strengthening of Pradeshiya Sabha Programme of the previous year.
- (i) The expenditure on supplies and equipment of the year under review had been understated by Rs.2,389,067.
- (j) The debit balance in the cash book amounting to Rs.61,881 which continued to be brought forward from previous years had been set off against the Accumulated Fund without correctly identifying it.
- (k) The library books purchased for Rs.274,746 during the year under review had been credited to the expenditure on Supplies and Equipment Account instead of crediting the Revenue contributions to Capital Outlay Account.
- (l) The revenue of Rs.337,400 obtained on behalf of hire of becko machine of the Sabha for a work of the previous year had been brought to account under refundable deposits.
- (m) The reason for differences between the Agreement Security Deposits Account and the schedule amounting to Rs.73,800 had not been correctly identified. Instead, this had been adjusted in the Accumulated Fund.
- (n) Provision for creditors had been made twice on behalf of retentions of Rs.133,436 payable for 05 work.
- (o) Provision for creditors amounting to Rs.3,251,166 had been made for the work completed during the previous year. However, provision for creditors had again been made for the year under review and adjustments had been made in the Accumulated Fund.
- (p) Aid, contributions and expenditure on subsidies of the year under review had been understated by Rs.118,303.
- (q) Provision for audit fees had not been made for the year under review.

1.3.2 Unreconciled Accounts

 The total of balances of 12 items of accounts as per financial statements amounted to Rs.15,682,442. The difference between these and the balances appearing as per subsidiary registers/schedules aggregated Rs.2,155,037.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The following matters were observed.

- (i) Balances totalling Rs.2,314,236 over 03 years had been included in the balances of capital aid debtors totalling Rs.5,474,834 as at end of the year under review.
- (ii) Action had not been taken to settle the debtors balances of the Athuraliya Pradeshiya Sabha totalling Rs.760,510 which continued to be brought forward from years prior to the previous year.

(b) Accounts Payable

Balances totalling Rs.9,632,814 over 03 years had been included in the balances of creditors totalling Rs.11,782,587 as at end of the year under review.

1.3.4 Lack of Necessary Documentary Evidence for Audit

Six items of accounts totalling Rs.248,540,610 could not be satisfactorily verified in audit due to non-rendition of necessary information.

1.3.5 Non-compliance

1.3.5.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Non - compliance
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(a) Pradeshiya Sabha Act No.15 of 1987

(i) Sections 49 and 52

Proper action had not been taken regarding unauthorized constructions in terms of the said sections.

(ii) Section 150(4)

Attention of the Secretary of the Sabha had not been drawn for recovery of revenue of Rs.38,743,452 of the Sabha.

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| (iii) | Section 138(1) | Assessment of rates had not been done after 2010. |
| (b) | 1988 Pradeshiya Sabha (Finance and Administration) Rules
Rule 193 | The actual expenditure of Objects had not been reconciled with the budgeted and the supplementary approved expenditure and a statement for causes of surpluses and deficits had not been furnished. |
| (c) | State Accounts Circular No. 2014/3(i) of 30 December 2014 | Telephone allowance of Rs. 26,250 had been paid to a lady community officer contravening circular instructions. |

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 2017 amounted to Rs.11,364,504 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.17,834,074.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	5,215,305	3,629,596	3,501,368	1,370,191	3,650,000	3,873,172	4,196,081	1,241,963
Rent	5,580,550	5,237,183	4,131,109	6,808,482	4,675,563	5,359,766	4,879,765	5,702,408
Licence Fees	1,317,000	1,087,982	1,087,982	-	1,192,000	994,608	994,608	-
Other Revenue	29,472,000	15,869,914	18,711,489	28,956,506	20,618,500	22,621,797	13,154,984	31,798,081
Total	41,584,855	25,824,675	27,431,948	37,135,179	30,136,063	32,849,343	23,225,438	38,742,452

2.2.2 Performance in Collection of Revenue

The total estimated revenue of the year under review amounted to Rs.41,584,855 and the amount billed was Rs.25,824,675. The total arrears at the commencement amounted to Rs.38,742,452 along with which the total amount receivable amounted to Rs.64,567,127. However, the total revenue collected during the year amounted to Rs.27,431,948 resulting in a total arrears of Rs.37,135,179 as at end of the year.

2.2.3 Rates and Taxes

The following matters were observed.

(a) Rates

- (i) The rates and taxes of Rs.1,199,083 at commencement of the year under review added to the billings of the year amounting to Rs.2,160,981 had resulted in receivables amounting to Rs.3,360,064. The total recoveries amounted to Rs.2,027,875 resulting in a balance of arrears of Rs.1,332,189 as at end of the year.
- (ii) Balances of arrears over 01 year amounted to Rs.939,850. This included 47 units of rates over Rs.4,000 and the amount receivable amounted to Rs.397,088.

(b) Acreage tax

The arrears at the commencement amounted to Rs.59,016 and the amount billed was Rs.15,295. The total recoveries during the year amounted to Rs.36,309 resulting in an arrears of Rs.38,002 as at end of the year.

2.2.4 Rent

The following matters were observed.

(a) Stall Rent

The opening arrears of Rs.5,363,488 added to the billings of the year amounting to Rs.2,796,975 had resulted in receivables amounting to Rs.8,160,463. The total recoveries amounted to Rs.1,901,900 and as such the arrears as at end of the year amounted to Rs.6,258,563.

(b) Ground Tax

The opening arrears of Rs.378,309 added to the billings of the year amounting to Rs.307,416 had resulted in receivables amounting to Rs.685,725. The total recoveries amounted to Rs.135,807 and as such the arrears as at end of the year amounted to Rs.549,918.

2.2.5 Other Revenue

The amount billed for consumption of water by 23 water consumers of the water scheme maintained by the Sabha was Rs.120,209 of which a total arrears of Rs.92,406 was due as at end of the year under review.

2.2.6 Court Fines and Stamp Fees

Court fines amounting to Rs.3,725,145 and stamp fees amounting to Rs.18,538,043 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye - Laws

Bye – laws had been enacted to levy garbage tax since 2002. However, action had not been taken to recover any money, whatsoever, for collection of garbage from hospitals, factories, housing complexes and fish stalls.

(b) Action Plan

An annual action plan had not been prepared on behalf of all functions to be fulfilled by the Sabha as per bye – laws enacted.

(c) Non execution of Functions

- (i) The provision approved by the Ministry of Provincial Councils and Local Government for projects amounted to Rs.4,500,000. Out of the advance of Rs.1,000,000 obtained in this connection, a sum of Rs.450,835 had been spent and the balance had been refunded to the Ministry. The projects concerned had not been completed and the expenditure statement furnished so as to obtain reimbursements for other projects. As such, the sum of Rs.3,500,000 had been deprived of.
- (ii) Three projects for Rs.9,822,180 had been approved under the Strengthening of Pradeshiya Sabhas Programme for the year under review. However, the amount concerned had not been obtained as the projects had not been executed during the year.

(d) Solid Waste Material Management

An expenditure of Rs.4,035,565 had been incurred on the solid waste material management on behalf of salaries and allowances, fuel and repairs to vehicles. But, the Sabha continued to dispose of, all the garbage collected in a land in the midst of the town. A land had been obtained with the plan to construct a carbonic fertilizer centre. However, the land had not been used for disposal of garbage and the Sabha had also not obtained an environmental licence.

(e) Sustainable Development Target

The Sabha had not prepared the long term plan for sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

3.2 Management Inefficiencies

The following matters were observed.

Out of the members' provision obtained for 15 development projects during the year under review and the previous years, a sum of Rs.940,000 had been retained in the Deposit Account without being used for the said purpose.

3.3 Human Resources Management

Vacancies and Excesses in the Cadre

The following matters were observed.

- (a) Twelve vacancies and 03 excesses existed in the approved cadre.
- (b) An employee had been recruited contravening the Management Services Circular No.3/2014 of 31 March 2014 and salaries amounting to Rs.553,202 had been paid from 2014 to 2017.

3.4 Operating Inefficiencies

The following matters were observed.

- (a) A sum of Rs.1,600,000 had been estimated for welfare services as per budget of the year under review. However, none of those work had been carried out.
- (b) Equipment worth Rs.382,300 had been issued for maintenances of street lamps during the year under review. The lamp posts of the Sabha had not been numbered and the Sabha had to incur an expenditure of Rs.298,522 on maintenance of street lamps exceeding the approved number of street lamps.

3.5 Assets Management

3.5.1 Assets not Entered in Registers

Fixed Assets worth Rs.80,387,915 purchased during the year under review had not been entered in registers.

3.5.2 Safety of Assets not Ensured

The following matters were observed.

- (a) A procedure had not been adopted to safeguard 28 blocks of land of the Sabha.
- (b) Unauthorized building had been constructed and used for business purposes in 02 land belonging to the Sabha. But, no action, whatsoever, had been taken against irregular usage of assets or unauthorized constructions.

3.5.3 Assets not Acquired

The Sabha continued to use 03 vehicles of state institutions even by 31 December 2017 and the expenditure incurred on this behalf during the year under review amounted to Rs.1,008,675.

3.5.4 Idle / Under utilized Assets

The following matters were observed.

- (a) Sixteen land belonging to the Sabha had not been used for any useful purpose.
- (b) A tractor and 02 double cabs of the Sabha valued at Rs.645,000 and Rs.1,310,000 respectively remained idle for over 02 years.

3.6 Identified Losses

A building had been obtained on rent in October 2015 for usage as office of the Sabha. In this connection, materials for Rs.123,613 had been obtained for partitioning of branches. However, these materials had not been dismantled and brought to the Sabha while handing over the building.

3.7 Procurement

3.7.1 Procurement Plan

An procurement plan had not been prepared for the year under review and an expenditure of Rs.5,774,060 had been incurred on purchases during the year.

3.7.2 Contract Administration

Although it had been planned to execute 128 work proposed at a cost of Rs.68,700,000 under the funds of the Sabha and various provisions as per budget of the under review, only one work worth Rs.1,000,000 had been executed during the year.

4. Accountability and Good Governance

4.1 Budgetary Control

Significant variances were observed between the budgeted and actual revenue and expenditure of the year under review as shown below. It was thus observed that the budget had not been utilized as an efficient instrument of management control.

- (a) Savings in 08 items of expenditure totalling Rs.34,077,176 ranged from 01 to 97 per cent.
- (b) Adverse variances in 08 items of revenue amounting to Rs.27,650,221 which ranged from 06 to 81 per cent.

4.2 Audit and Management Committees

Although Audit and Management Committees had been established in terms of provisions in the Management Audit Circular No.DMA 2009 (i) of 09 June 2009, 01 meeting alone had been conducted even by end of the year under review.

4.2 Internal Audit

Adequate internal audit had not been carried out in terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the circular No.දප්පා/සභ/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government. The internal audit programme had not been prepared in consultation with the Auditor General in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to audit.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed assets
- (b) Revenue administration
- (c) Budgetary control
- (d) Accounting