

Akkaraipattu Municipal Council
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 31 May 2019, the summary report of the Auditor General relating to those financial statements was sent to the Mayor of the Municipal Council on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report, the financial statements give a true and fair view of the financial position of the Akkaraipattu Municipal Council as at 31 December 2018 and its financial performance for the year the ended in accordance with Generally Accepted Accounting Principles.

1.3 **Basis for the qualified opinion**

Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) Although lands, buildings and roads had been shown according to separately classification of fixed assets of the establishment, cost amounting to Rs. roads had been included 310,828 in land and buildings buildings ebalance while repair expenditure amounting to Rs. 526,054 had been disclosed as a in the capital expenditure .financial statements	Relevant expenditure should be shown under relevant accounts'	Road cost had been included in the land and buildings balance due to an error. Necessary action has been taken to correct it. The expenditure incurred for putting a deck on the building floor was considered as an addition. Accordingly it was treated as a capital expenditure. If it is wrong, action will be taken to correct it.
(ii) Out of 61 vehicles belong to the Municipal Council value of 18 vehiles had not been assessed and shown in the	Should be assessed and shown under relevant accounts.	Action will be taken to appoint a committee to assess the value of 18 vehicles out of the 61 vehicles belong to the Municipal Council and show the

	.accounts		value in the financial statements for the year 2018.
(iii)	Although the amount received by sale of 372 items of condemned goods during the year under review had been shown as Rs. 80,650, the cost of those assets had not been removed from the accounts	Action should be taken to remove from the accounts	Although sale proceeds of goods were not received, write-off had not been made with regard to depreciation provided and accounting for approval of capital increase were obtained. Necessary write-off in due corrective action will be taken in due course
(iv)	Necessary action had not been taken during the year under review as well to Rs. 12,200 shown as arrears of revenue for more than a period of three years in the financial statements	Necessary action should be taken to settle the sum	Not replied.
(v)	Although there was a stock of 18 categories of drugs in the Ayurvedic Dispensary as at 31 December 2018, it had not been disclosed in the financial statements	The value should be included in the accounts	Funds required for the purchase of necessary drugs are received from the Department and Local Government Council Funds are not utilized for those. Further, the types of drugs are considered as consumable goods and not shown in the accounts. Report on balance stock is prepared and sent to the Local Government Department and Ayurvedic De

1.4 Non-compliance

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Noncompliance	Recommendation	Comments of the Accounting Officer
(a) Municipal Councils Ordinance	Detailed Administrative Report to be prepared in	Action should be taken to prepare.	While Administrative Report for the year

Section 218	respect each financial year by the Commissioner had not been prepared for .the year 2018	is being 2018 will be prepared,it submitted immediately .after completion
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Action had not taken in terms of financial regulations to pay and settle or to credit to revenue with regard to tender deposits valued at Rs. 105,000 which had elapsed two years.	Lapsed Deposits should be dealt with as per financial regulations. Action will be taken to credit to revenue with regard to two years' time elapsed tender reports. Deposits
© Motor Traffic Act Section 203	Although annual revenue licenses should be obtained for all vehicles, revenue licenses for the year under review had not been obtained for 12 vehicles used by the Council	Action should be taken to obtain revenue licenses. Action will be taken to obtain revenue licenses after repairing the vehicle and after getting the vehicle emission reports.

2. Financial 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 2018 amounted to Rs. 15,321,575 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 20,232,252.

2.2 Revenue Administration

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

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	Estimated Revenue	2018		Total Arrears as at 31 December	Estimated Revenue	2017		Total Arrears as at 31 December
		Revenue Billed	Revenue Collected			Revenue Billed	Revenue Collected	
	.Rs 000 '	.Rs 000 '	.Rs 000 '	.Rs 000 '	.Rs 000 '	.Rs 000 '	.Rs 000 '	.Rs 000 '
Rates and Taxes	10,000	19,083	7,463	36,870	10,100	10,095	5,533	25,249
Rent	16,558	13,000	12,887	11,434	15,194	14,314	12,139	15,720
License Fees	2,650	2,183	2,267	-	2,650	1,751	1,751	-

2.2.2 Performance in Revenue Collection

Audit Observation

A sum of Rs. 94,306,976 had been recovered out of the sum of Rs. 157,258,888 to be recovered by the Council up to 31 December 2018. Accordingly, the progress in the recovery of revenue had been 60 percent

Recommendation

Action should be taken to recover revenue for the year under review together with arrears amounts

Comments of the Accounting Officer

Action will be taken to recover all arrears amounts in due course. While legal action will be taken to recover stalls rent in arrears, it is expected to recover amounts in arrears based on the judgements

2.2.3 Rates and Taxes

Audit Observation

Out of Rates totalling to Rs. 44,332,364 to be recovered from 12,873 residents living in the area of authority of the Council up to the end of the year under review, rates amounting to Rs. 7,462,795 or 17 percent only had been recovered up to the end of the year under review.

Recommendation

Action should be taken to recover Rates.

Comments of the Accounting Officer

Not replied.

2.2.4 Rent

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Out of Lease Rent amounting to Rs.16,178,257 relevant to the period from the year 1992 to end of the year under review a sum of Rs. 16,178,257 being 46 percent only had been recovered.	Action should be taken to recover arrears of the preceding year together with the Lease Rent revenue for the year under review.	Not replied
(b) Out of the total arrears of Stalls Rent amounting to Rs. 11,762,402 due up to the end of the year under review arrears amounting Rs. 1,815,600 being 15 percent only had been recovered.	shold be taken Action payment -for non during the specified time according to the conditions in the . ageement	Not replied

3. Operating Review

3.1. Management Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Action had not been taken to Advances recover two amounting to Rs. 106,003 granted to an employee of the Council and to a community .centre eight years ago	Action should be taken to get settled the .advances	Not replied
(b) Out of 31 motor vehicles in running condition available at Muncial Cuncil, fuel the consumption to be tested annualy had not been done exept .vehicles 07	Action should be taken to carry out fuel .consumption tests	Fuel consumption tests of the balance 26 motor vehicles will .be done immeditely

3.2 Human Resources Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Forty four vacancies according to approved cadre of the Management Services Department .had not been filled	Action should be taken to fill the .vacancies	Local Government Department and inistry of Local Government had been with .esregard filling the vacanci
(b) Although the Council had obtain service of an Assistant Information Tecnologist, approval .for that po had not been obtained st	Action should be taken to get settled the .advances	Corrective action will be taken .in due course
© had not taken action The Council to recover loan balances of Rs. outstanding from 04 64,598 officers who had vacated post .during the years 2012 and 2013	Action should be .taken to recover	Action has been taken to recover from officers who had .vacated post

3.3 Operating Ineffiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) According to the cash book maintained by the Council, cash balances ranging from Rs. 16.3 million to Rs.20.8 million were observed in the Bank Current (Account (General during the period from January to December during income of the year 2018. An about Rs. 1,500,000 had been lost due to failure in investing this money by the .Sabha	Income should be incresed by depositing surplus funds on short term investments. deposit	While salary reimbursements and , tender deposits were the s for the surplus, this reason balance had been maintained to meet liquidity for recurrent .expenditure
(b) Savings Account No. of the Municipal 100470225924 Council with a balance of Rs. .so	Should be withdrawn having decided to do .so	Action will be taken to withdraw the balance in this this account which was

had been dormant from 37,959
 december 2017 to the date of the
 .had been dormant reort

deposited in the Kalmunai
 National Savings Bank in the
 .past

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| <p>© The provision of Rs. 15,000,000 made for performance of specific development work out of the surplus of income over expenditure on the the basis of a Council decision taken during the year 2013 had not been utilized for the relevant works up to the year the and had been added to 2018 accumulated Fund during the year .under review</p> | <p>Action should be taken to utilize the provision for the relevant .objectives</p> | <p>As the funds of the line ministry and other schemes were utilized, provision made Funds were out of Council not used. Therefore this amount was transferred to the .Accumulated Fund</p> |
| <p>(d) While only 250 trading establishments had obtained trade licences out of 635 trading establishments during the year under review, a sum of Rs. had been recovered. 383 2,183,100 Trading Establishments had involved in trading activities .ensewithout a Council Lic</p> | <p>Action should be taken to provide licenses for .the business places</p> | <p>.Not replied</p> |

3.4 Assets Management

3.4.1 Assets not Vested

Audit Observation

Recommendation

Comments of the Accounting Officer

Necessary action had not been taken to finalize transferring ownership of 06 vehicles valued at Rs. 5.3 million shown in the books of accounts and another 05 vehicles value of which not assessed, in favor of the Council, even up to the date of audit on 30 May 2019.

Action should be taken to transfer ownership in favor of the Municipal Council.

Although requests were made to transfer ownership of all vehicles received fom the Ministry of Local Government, ownship of some vehicles were not transfereed. Copies of relevant applications were attached and re-sent.

3.4.2 Idle / Under-utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A building constructed having spent a sum of Rs. 19,882,270 during the year 2014 for extinguish commencement of a fire unit had been abandoned without over a period of 05 completing .years	Action should be taken .to commence works	works of this building have The commenced again by the Relevant .relevant ministry are not available in this files .office
(b) The machine purchased having spent a sum of Rs. 999,500 during the year 2018 for production of compost fertilizer out of solid wastes had not been utilized at all up to 30 May 2019, the date of .audit	Action should be taken to commence this .work	will be commenced again This .in this month

3.4.3 Failure to derive income receivable from assets.

Audit Observation	Recommendation	Comments of the Accounting Officer
Trade stalls and rooms belong to the 107 Council remained idle without being utilized for earning income up to the end stalls trade 105 .of the year under review .had not been used as at 30 May 2019	aken utilize idle t .assets	in the fish scaled for trade stall market, any application had not been received duriin that period. Action will be taken to .call for tenders

3.4.4 Failure to carry out maintenance and repairs.

Audit Observation	Recommendation	Comments of the Accounting Officer
utilized ten vehicles-Although there were un one chain ,er brouser, two trailersssuch as wat excavator, three motor cycles, three tractors o the Municipal Council and a lorry belong t action had not bee ,repaired being witout .taken to repair and use or to auction	Action should be taken and use or to to repair auction those can not be .repaired	While a committee has been appointed to identify the idle water brouser, , two trailers, one chain excavator, three motor cycles, three tractors and tipper lorry for repais and assess, action n to repair or auction will be take .those ater receiving the report