

Akkaraipattu Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 15 April 2015 and the financial statements for the preceding year had been presented on 21 May 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 21 September 2015.

1.2 Qualified Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Akkaraipattu 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

The accounting policies adopted in preparing the financial statements had not been disclosed in the financial statements in terms of Sri Lanka Public Sector Accounting Standard No. 03.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The value of 57 books donated by the Asian Foundation during the year under review had not been assessed and brought to account.
- (b) The court fees of Rs.347,601 receivable as at 31 December 2014 had not been brought to account.
- (c) The value of equipment and books purchased during the year under review amounted to Rs.82,500. This had not been brought to account.
- (d) The audit fees payable to the Auditor Generals' Department amounted to Rs.74,574. This had not been shown in the accounts of the year under review.

1.3.3 Non-compliance with Laws, Rules, Regulations etc.,

The following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to Laws, Rules etc.,

Non-compliance

Reference to Laws, Rules etc.,	Non-compliance
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules	
(i) Chapter iv Section 180	Security deposits had not been obtained from 4 officers who had been administratively entrusted with duties dealing with cash, stores and signing of documents.
(ii) Chapter iii Section 81	Applications for reimbursement of stamp duty relating to transfer of ownership of land, applications for reimbursement of tax relating to other transactions and applications for reimbursement of fines had not been furnished to the Registrar General, the Provincial Director Treasury and the Registrar of Courts respectively at the end of each quarter.
(iii) Chapter x Section 191	Although the Sabha had conducted 12 meetings during the year under review, the certified copies of the meetings had not been furnished to audit.
(iv) Chapter Section 193	The actual revenue and expenditure had not been compared with the budgeted figures and the details showing reasons for variances had not been prepared and furnished to audit.
(v) Chapter Section 217	A register showing the entire land and buildings used by the Sabha had not been maintained.

1.3.4 Transactions without Proper Authority

This Pradeshiya Sabha which functioned as Akkaraipattu Pradeshiya till 2010 had been separated into 2 administrative units known as Akkaraipattu Pradeshiya Sabha and Akkaraipattu Municipal Council from 2011. However, assets and liabilities separated between both had been shown in the financial statements. But, during the years 2013 and 2014, the overall assets amounting to Rs.25,808,155.44 and the overall liabilities amounting to Rs.2,398,774.79 had been deducted in the accounts. Approval for deducting the values of assets and liabilities had not been obtained.

The assets deducted were the fixed and current deposits in the bank which aggregated Rs.48,375. Necessary evidence to confirm it had not been furnished to audit.

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 2014 amounted to Rs.619,658 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.472,393 showing an improvement in financial results of the year under review amounting to Rs.147,265.

2.2 Revenue Administration

2.2.1 Rates and Taxes

The Sabha had not taken action to recover revenue in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987 to compute and recover rates and taxes from land, houses and buildings constructed etc., within the authoritative area of the Sabha for the period 2011 to 2014.

2.2.2 Private Parking Charges

Action had not been taken to recover the private parking charges of Rs.10,000 for the year under review.

2.2.3 Recovery of Advertisement Board Charges and the Telecommunication Tower Fees

The Sabha could not frame bye-laws to recover revenue in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987. As a result, revenue amounting to Rs.60,000 had not been recovered for 03 advertisement boards exhibited to promote trade in private shops as well as 02 telecommunication towers established by telecommunication firms, within the authoritative area of the Sabha.

3. Operating Review

3.1 Transactions of Contentious Nature

- (a) The cab belonging to the Sabha had been repaired in March 2014 by spending Rs.58,395. The approval of the Commissioner of Local Government and the tender board decision had not been obtained for repairs.
- (b) A sum of Rs.418,520 had been spent from the funds of the Sabha for the opening ceremony of the building held during the year under the review despite the fact that there was no money for much needed public utilities such as renovation of roads, construction of latrines, construction of public wells etc.,Of this,a sum of Rs.148,800 had been spent on decorating platforms and constructing pandals.

3.2 Operating Inefficiencies

National Programme of Strengthening Pradeshiya Sabhas

A sum of Rs.4,000,000 had been received by the Sabha during the year under review under the National Programme of Strengthening Pradeshiya Sabhas of the Ministry of Local Government and Provincial Councils. Out of this money, a sum of Rs.2,440,087 had been spent to construct latrines and repair roads. The following matters were observed in this connection.

- (a) The Ministry of Local Government and Provincial Councils had stated by its Circular No.01/2014 that the machines of the Sabha should be used for work carried out under the provision made under the Programme and if there are no machines in the Sabha machines should be obtained from the closest Sabha to carry out the work. However, construction works had been constructed by awarding contracts to community oriented societies. Details appear below.

Details of Work	Name of the Society	Value of Contract
Public latrine	Pattiyapitti Community Centre	360,000
Crematorium	Aammaat Community Centre	780,000
Road renovation	Aammaat Community Centre	300,000
Public latrine	Aammaat Community Centre	122,830
Road renovation	Leena Community Centre	635,379

- (b) According to the above circular, this fund should have been used for improving the already existing primary facilities and for maintenance and not be used for building new latrines.

4. Accountability and Good Governance

4.1 Internal Audit

Paragraph 8 of the circular No.03 dated 08 November 2005 of the Ministry of Local Government relating to Local Government Reforms states that each local authority should establish their own internal audit branch according to their ability. The Sabha had not established an internal audit branch as directed.

5. Systems and Controls

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

- (a) Accounting
- (b) Fixed Assets Control
- (c) Revenue Administration
- (d) Collection of Revenue
- (e) Contract Administration