

**Akuressa Pradeshiya Sabha**  
**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 31 March 2017 and the financial statements for the preceding year had been presented to the Audit on 29 March 2016 and the Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 28 August 2017.

**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 2016 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 Deficiencies**

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

- (a) The value of the land had been disposed from fixed assets when disposing the value of the old Sabha building of Rs. 386,800.
- (b) The contract amount of Rs. 34,039,605 had been accounted instead of accounting the building cost amount of Rs. 33,961,279 completed under City Development Project.
- (c) Stamp fees income Receivable of Rs. 4,342,204 and fixed deposits amount of Rs. 612,500 with relating to the previous year had been understated in financial statements.
- (d) The contribution amounting to Rs. 5,037,907 which should be payable to Local Government Pension Fund as at the end of the year under review had not been shown in accounts.
- (e) The value of 27 land lots belonging to Sabha had not been valued and capitalized.

### **1.3.2 Unreconciled Control Accounts**

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Differences totaling Rs. 4,592,467 were observed between the balances of 11 items of account shown in the financial statements of the year under review totaling Rs. 29,562,465 and the balances appearing in the subsidiary registers / schedules relating thereto.

### **1.3.3 Accounts Receivables and Payables**

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The following observations were made.

- (a) Balances over 03 years period of Rs. 2,314,236 had been included in capital grant debtor balances aggregating Rs. 14,044,165 as at the end of the year under review.
- (b) Balances over 03 years period of Rs. 3,205,760 had been included in creditor balances aggregating Rs. 16,048,407 as at the end of the year under review.
- (c) Balances over 03 years period of Rs. 2,917,670 had been included in deposits balance aggregating Rs. 4,937,784 as at the end of the year under review.
- (d) Steps had not been taken to settle debtor balance of Athuraliya Pradeshiya Sabha aggregating Rs. 760,510 which was continuously carrying forward before the previous year without settling.

### **1.3.4 Lack of Evidence for Audit**

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In view of the failure to produce evidence such as updated detailed schedules with relating to fixed assets aggregating Rs.70,655,848 and industrial creditor balance aggregating Rs. 14,525,058, stock verification report with relating to stores stock balances of Rs. 3,420,166 and detailed schedules with relating to 06 types of deposits aggregating Rs. 4,351,529 could not be satisfactorily examined in audit.

### **1.3.5 Non-compliance with Laws, Rules and Regulations**

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According to the Financial Regulations of the Republic of Sri Lanka 570 and 571, actions had not been taken on the 06 lapsed deposit balances totaling Rs. 2,406,380.

## **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 recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 17,834,074, as compared with the excess of recurrent expenditure over revenue amounting to Rs. 8,752,279 for the preceding year. Accordingly, the financial results for the year under review indicated an improvement of Rs. 9,081,795.

### **2.2 Analytical Financial Review**

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The following observations were made.

- (a) The total recurrent expenditure represented more than 72 per cent of the total recurrent revenue of the year under review.
- (b) The decrease in recurrent expenditure is shown in the year under review as compared with the previous year. The recurrent expenditure had been increased more than the Self-generated Revenue by significant amounts in the year under review as well as the previous two years and it was shown situation where recurrent expenditure could not be recovered at any mean from Self-generated Revenue.

### **2.3 Working Capital Management**

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Even though the current and quick ratios of the year under review indicated as 1:3, it was observed that a liquidity position according to the current ratio does not exist due to the existence of unrecovered balances older than 03 years amounting to Rs. 2,314,236 in the debtors balance.

### **2.4 Revenue Administration**

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#### **2.4.1 Rates and Taxes**

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The following observations were made.

##### **(a) Rates**

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While there was opening arrears balance amounting to Rs. 1,520,917, and a sum of Rs. 3,683,680 had to be recovered including the billings of Rs. 2,162,763 of the year. The arrears balance as at the end of the year was Rs. 1,199,084 due to the total recoveries was Rs. 2,484,596.

**(b) Acreage Tax**  
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While there was opening arrears balance amounting to Rs. 43,955, and billings had not been done for the year. The arrears as at the end of the year were Rs. 42,880 due to the recoveries was Rs. 1,075.

**2.4.2 Lease Rent**  
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While there was opening arrears balance amounting to Rs. 5,222,407, and a sum of Rs. 11,187,632 had to be recovered including the billings of Rs. 5,965,225 of the year. The arrears balance as at the end of the year was Rs. 5,702,408 due to the total recoveries during the year was Rs. 5,485,224.

**2.4.3 Courts Fines and Stamp Duty**  
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Courts fines amounting to Rs. 2,569,394 and the Stamp Duty amounting to Rs. 14,503,308 had been remained as receivable from the Chief Secretary to the Provincial Council and other Authorities as at 31 December 2016.

**3. Operating Review**  
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**3.1 Performance**  
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The following observations were made.

- (a) Out of 82 contracts for Rs. 40,000,000 estimated on Sabha funds and capital grants, not even one contract had been performed during the year under review.
- (b) Even though the agreements had been signed with the contractor for the estimated amount of Rs. 4,099,975 on 27 December 2016 to performed 02 contracts which had not been approved by the budget, the works of those 02 contracts had not been completed even as at the date on 25 June 2017.

**3.2 Management Inefficiencies**  
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**3.2.1 Human Resources Management**  
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Actions had not been taken to fill 02 secondary level posts and primary level 04 posts and to streamline 05 excess posts in 04 posts in approved staff carder plan.

**3.2.2 Staff Loans**  
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Staff loan balances of Rs. 830,507 had not been recovered even as at the end of the year under review which was recoverable from 19 officers who vacated of their post and

retired. Out of them, the balance of Rs. 52,581 had been remained more than 05 years a period.

#### **4. Operating Inefficiencies**

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Even though it was reported that the drainage system of a building constructed along with the Sabha were built in the river bank and the construction of the building were unauthorized, actions had not been taken in terms of the direction of Pradeshiya Sabha Act No. 15 of 1987 in this regard.

##### **4.1 Idle and Underutilized Assets**

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The following observations were made.

- (a) Sixteen land lots with an extent of 05 acres 03 roods 11 perches belonging to Sabha amount aggregating Rs. 2,163,996 had not been used and remedial steps had not been taken to protect by making land marks in those lands
- (b) The Motor Grader machine received to Sabha in the year 2015 at a cost of Rs. 24,928,666 had been remained idle and 02 Double Cabs, Tipper, Three wheeler, Hand Tractor and 02 Tractors had been used with underutilized.

##### **4.2 Solid Waste Management**

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The following observation was made.

Even though a sum of Rs. 7,120,916 had been spent on waste management during the year 2016, the collected garbage of 27,648 tons has been disposed into a land in the middle of the city. Though the sub constitution had been imposed since 2002 for garbage tax, no tax had been recovered.

#### **5. Accountability and Good Governance**

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##### **5.1 Budgetary Control**

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It was observed that the budget had not been made use of as an effective instrument of financial management control due to remaining the savings aggregating Rs. 19,375,886 in 08 expenditure votes included in the budget estimate for the year under review and non-achieving targets aggregating Rs. 14,407,062 in 03 revenue votes.

## 5.2 Systems and Controls

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

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