

Athuraliya Pradeshiya Sabha
Matara District

1 Financial Statements

1.1 Presentation of Financial Statements

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 15 July 2016 and the Report of the Auditor General for the year under review was sent to the Secretary of the Sabha on 28 September 2017.

1.2 Qualified Opinion

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 Athuraliya 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

1.3.1 Accounting Deficiencies

- (a) The Stamp Duty Revenue of Rs. 4,687,096 had been understated in financial statements of the year under review.
- (b) Recurrent expenditure of Rs. 1,032,743 was understated due to disclosing of supplies and equipment expenditure of Rs. 1,538,939 for the year under review as Rs. 506,166.
- (c) Capital expenditure of Rs. 5,426,037 was overstated due to disclosing of capital expenditure of Rs. 3,233,679 for the year under review as Rs. 8,659,716.
- (d) Capital grant debtors of Rs. 3,202,771 receivable as at 31 December for the year under review had been understated in the financial statements.
- (e) Payable capital expenditure of Rs. 2,884,913 and receivable capital grants of Rs. 3,560,874 with relating to 05 development work proposals were overstated.
- (f) The difference of Rs. 889,359 was remained between the balances of fixed asset account and balances of revenue contribution for capital input account which should be reconciled each other as at the end of the year under review.
- (g) The total revenue of Rs. 609,133 and total expenditure of Rs. 6,133,246 for the year under review had been overstated in the financial statements.

1.3.2 Unreconciled Control Accounts

Differences totaling Rs. 4,106,266 were observed between the balances of 05 items of account shown in the financial statements totaling Rs. 10,409,491 and the balances appearing in the subsidiary registers / schedules relating thereto.

1.3.3 Accounts Payables

The following observations were made.

- (a) Balances over 03 years period of Rs. 150,000 had been included in capital grants creditor balance aggregating Rs. 7,152,840 as at the end of the year under review.
- (b) The payable amount of Rs. 675,577 to the Akuressa Pradeshiya Sabha with relating to the property vested at the time of incorporation of the Sabha had not been settled even as at the end of the year under review.

1.3.4 Lack of Evidence for Audit

In view of the failure to produce evidence such as title deeds, register of fixed assets and the reports of the Annual Boards of Survey prepared and updated properly in respect of assets totaling Rs. 102,733,132, age analysis and detailed schedules for arrears income account balance aggregating Rs. 15,907,617 and credit register of Industrial creditor balance aggregating Rs. 7,152,840, confirmation of balances in respect of bank balances aggregating Rs. 1,121,281 those could not be satisfactorily examined in audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

According to the Financial Regulations of the Republic of Sri Lanka 570 and 571, actions had not been taken on 69 deposit balances totaling Rs. 830,424 remained over 02 years.

2. Financial Review

2.1 Financial Results

According to the financial statements presented to audit, the excess of revenue over the recurrent expenditure for the year ended 31 December 2016 amounted to Rs. 3,661,952 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 6,182,783. The financial results for the year under review indicated a deterioration of Rs. 2,520,831.

2.2 Analytical Financial Review

- (a) It was observed that the expenditure was in higher level as compared with Sabha revenue due to the total recurrent expenditure represented more than 86.97 per cent of the total recurrent revenue.
- (b) 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 during the previous three years if not receiving revenue grants.

2.3 Revenue Administration

2.3.1 Rates and Taxes

(a) Rates

While there was opening arrears amounting to Rs. 853,486, and a sum of Rs. 1,465,456 had to be recovered including the billings of Rs. 611,970 of the year. The arrears balance as at the end of the year was Rs. 851,203 due to the total recoveries was Rs. 614,252.

(b) Acreage Tax

While there was opening arrears amounting to Rs. 48,412, and a sum of Rs. 60,757 had to be recovered including the billings of Rs. 12,345 of the year. The arrears as at the end of the year were Rs. 39,004 due to the total recoveries was Rs. 21,753.

2.3.2 Lease Rent

While there was opening arrears amounting to Rs. 44,130, and a sum of Rs. 3,004,130 had to be recovered including the billings of Rs. 2,960,000. The arrears as at the end of the year were Rs. 12,403 due to the total recoveries was Rs. 2,991,727.

2.3.3 Stamp Duty

Stamp Duty amounting to Rs. 14,223,187 had been remained as receivable from the Chief Secretary to the Provincial Council and other Authorities as at the end of the year under review.

3. Operating Review

3.1 Performance Evaluation

Though the estimated capital expenditure for the year 2016 was Rs. 121,064,000, the actual capital expenditure was as lower as Rs. 8,832,259 or 7.29 per cent of the estimated amount.

3.2 Management Inefficiencies

Actions had not been taken to fill 04 vacancies in secondary and primary posts as well as to streamline 11 excess cadre positions even as at the end of the year under review.

3.3 Transactions of Contentious Nature

The following observations were made.

- (a) Though legal fees of Rs. 38,675 had been paid by the Sabha from 19 August 2008 to recover the arrears stall rent amount of Rs. 11,361, the arrears amount had not been recovered even as at the date of audit.
- (b) A sum of Rs. 100,000 had been paid to the activities of staff welfare society from Sabha funds contrary to the paragraph 132 (i) of Pradeshiya Sabha Act No 15 of 1987.
- (c) Though the land lots of 78.53 perches should be received to Sabha for common amenities from auction land, a loss of Rs. 506,926 had been occurred to the Sabha on the sales amount of those lands due to the land lots given was 56 perches.

3.4. Idle and Underutilized Assets

- (a) The land of 56 perches received to Sabha on 01 April 2015 was kept idle without utilizing in any useful activity.
- (b) Though 03 Tractors valued at Rs. 3,069,218 were remained idle from more than 10 years period, actions had not been taken to use for running by getting them repaired or to dispose in accordance with the Public Finance Circular No 2/2015 dated on 10 July 2015.
- (c) Motor Grader machine of Rs. 24,928,666 received to Sabha on 21 July 2016 were kept idle since then.

3.5. Contract Administration

According to the budget estimate for the year under review, though 130 work proposals of Rs. 119,951,000 had been planned to implement under sundry provisions and Sabha fund, no work proposal out of them had been implemented during the year. However 16 contracts of

Rs. 6,653,660 had been implemented on other provisions which the provisions had not been allocated.

3.6. Solid Waste Management

The following observations were made.

- (a) Though a sum of Rs. 4,639,916 during the year under review and a sum of Rs. 16,466,490 during the last 05 years had been spent for garbage collection, the collected garbage had been dumped into a private land without measuring or separating.
- (b) Environment license had not been obtained in accordance with the Circular No. 1533/16 dated on 25 January 2008.

3.7. Environmental Impact

The revenue of Rs. 140,800 had been lost to the Sabha from 32 Business Institutions which was not taken the environment protection license in accordance with the Gazette Notification No. 1533/16 dated on 25 January 2008. Remedial actions had not been taken by the Sabha against the adverse impact caused to the environment.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed that the budget had not been made use of as an effective instrument of financial management control due to the savings aggregating Rs. 6,415,605 in 07 expenditure votes budgeted in the year under review and non-achieving targets aggregating Rs. 5,773,796 in 04 revenue votes.

4.2 Internal Audit

An adequate internal audit had not been carried out as specified in the Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka and the Circular No. SPLA/G/01/MCC dated 24 February 2014 of the Commissioner of Local Government of the Southern Province, a sum of Rs. 371,721 had been paid to the Internal Audit Officer deployed by the Sabha as salaries and allowances in the year under review.

4.3 Audit and Management Committee

Action in terms of the provisions in the Management Audit Circular No.DMA/2009(i) dated 09 June 2009 had not been taken even by the end of the year under review for the establishment of the Audit and Management Committee.

5. Systems and Controls

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

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