

Akkaraipattu Municipal Council
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 17 May 2017 and financial Statements for the preceding year had been submitted to Audit on 17 March 2016 respectively while the Auditor General's Report relating to the year 2016 was sent to the Secretary of the Sabha on 12 October 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Akkaraipattu Municipal Council as at 31 December 2016 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

Following observations are made.

- (a) Value of 10 vehicles totalled to Rs.885,487,000 which were transferred to the Municipal Council from the Ministry of Local Government and Provincial Councils in the year 2015 was not brought into the accounts.
- (b) Three hundred and forty seven library books valued Rs. 125,158 which were donated by individuals during the year under review were not brought into the accounts.

1.3.2 Lack of Evidence for Audit

Evidence indicated against the following each item of accounts had not been furnished to audit.

Item	Value	Lack of Evidence
-----	-----	-----
	Rs.	
Buildings	137,654,533	} Fixed Assets Register
Furniture and Fittings	3,798,262	
Motor Vehicles and Carts	6,440,748	

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

Instances of following non-compliance with provisions in Laws, Rules and Regulations were observed.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Urban Council Ordinance Chapter 252, Section 218	The detailed report, which should be prepared by the Commissioner for each financial year regarding administration, had not been prepared for the year 2016.
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka Financial Regulations 571	Action had not been taken as per financial regulations regarding 120 refundable deposits totalled Rs.2,473,260 which were lapsed period from 02 to 05 years.
(c) (i) Urban Development Authority Circular No. 15 of 18 November 1993	Even though all Local Authorities should open a bank account in the name of "Urban Development" and service charges and fine charges should be deposit in that account, the Municipal Council had not been acted as per.
(ii) Urban Development Authority Circular No. 02/1/10 of 29 April 1989	Recommendation of the Divisional Health Council should be obtained when obtaining the approval for building construction within the Municipal Council area. However, it was 61 applications submitted for the constructions had been approved without obtaining the recommendations.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.21,874,474 as compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.21,293,330. As compared with the preceding year it showed an improvement of Rs.581,144 in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Rates and Taxes

According to Section 252(1)(a) of the Urban Councils Ordinance, even though the rate and taxes of Rs.27,003,459 had to be recovered from the 12,873 property owners who are living in the Council area from the year 2014 until the end of the year under review, Rs. 6,316,538 representing 23 per cent only had been recovered.

2.2.2 Leasing of Meat stalls, Common Market Shops and Vehicle Park

Out of arrears shop lease rental of Rs. 6,481,274 as at 31 December 2016, a sum of Rs.5,428,981 was outstanding for more than 02 years without being recovering.

2.2.3 Leasing of Common Market Shops

Following observations are made.

- (a) Out of arrears common market shop lease rental of Rs. 7,039,307 as at 31 December 2016, a sum of Rs.5,239,637 was outstanding for more than 02 years without being recovering.
- (b) According to the lease agreement of leasing 236 shops of common market, agreement period had been completed on 05 July 2015, lessees had not been handed over the shops back. However, action had not been taken to take legal action against them or to charge extra charges as per the agreement.
- (c) Ninety four shops of common market had not been leased out from the year 2014. Action had not been taken to lease these shops.

3. Operational Review

3.1 Management Weaknesses

Following observations are made.

- (a) Ownership had not been transferred up to now of 08 vehicles and 08 tractors which had been received from the Ministry of Provincial Councils and Local Authorities.
- (b) A sum of Rs. 23,460 was paid as fines during the year under review due to non-obtaining revenue license in the specified period of time relating to 03 vehicles, 06 Tractors Trailers and 03 Tractors belonging to the Municipal Council.
- (c) A sum of Rs.64,598 was outstanding with 05 suspended officers in the years 2012 and 2013 and action had not been taken to recover from them or from the guarantors.
- (d) Even though recommendation had been given by the Board of Survey in the year under review for sale on auction of 377 items of 60 types, to destroy 89 items of 15 types and to repair 89 items of 24 types, action had not been taken as per by the Municipal Council up to now.
- (e) Action had not been taken until now to clear 02 advances amounting to Rs. 106,003 given to a worker and a community based unit six years ago.

3.2 Idled Assets

Following observations are made.

- (a) Six tractors, 02 tractor trailers, one double cab and one escalator which can be used after repaired were remaining idled for more than 03 years without taking action for repair
- (b) The Furniture and Fittings amounting to Rs. 13.69 million Provided by the Ministry of Local Government and Provincial Councils for the libraries of the Municipal Council in the years 2014 and 2015 were idled without using for the purposes even by 30 September 2017.

4. Good Governance and Accountability

4.1 Unresolved Audit Paragraphs

Action had not been taken as per financial regulations 104 on computers amounting to Rs. 535,500 which were misplaced in the year 2012.

5. System and Control

Special attention should be made on following arears and matters mentioned against those.

Control Area	Matters to be made attention
-----	-----
(a) Fixed Assets Control	(i) Maintaining a fixed assets register. (ii) Actions taking for use idled assets.
(b) Revenue Recovery Management	Action taking to recover arrears income.
(c) Contract Management	Awarding contracts according to Procurement Guidelines.