

**Akmeemana Pradeshiya Sabha
Galle District**

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 21 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 07 September 2018.

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 Akmeemana Pradeshiya Sabha as at 31 December 2017 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

The following deficiencies were observed.

- (a) Discount of Rs.148,415 granted at the recovery of rates and taxes during the year under review had not been debited to Excess/shortage Account.
- (b) Balance of Rs.14,450,827 applicable to the year 2016 which had been within the opening balance of Provincial Council Aid Account in arrears had been deleted without sufficient confirmation and due approval.
- (c) When the stamp fees of Rs.139,053 paid to Commissioner of Inland Revenue in the preceding year had been correctly brought to account, the creditor account was debited through Journal entry No.36 and the cumulated fund had been credited.
- (d) Provisions had not been made to meet audit fees during the year under review..
- (e) Reimbursement of salary in arrears amounting to Rs.915,052 paid in respect of the preceding year had been brought to account as a revenue of the year under review.
- (f) Provisions had not been made for industrial creditors of Rs.512,570 at the end of the year under review.

- (g) Contribution of Rs.3,187,736 payable to Local Government Pension Fund as at 31 December of the year under review had not been brought to account.
- (h) Cost of two Central Processing Units (CPU) and two Uninterrupted Power Supply (UPS) totalling Rs.204,640 donated by the Chief Secretary's Office, Southern Province during the year under review had not been capitalized.
- (i) Court fines receivable for the year under review amounted to Rs.4,857,550. However due to adjustment of Rs.4,649,016 to accounts, revenue of the year and debtors had been understated by Rs.208,534.
- (j) Due to adjustment of under billing of court fines of Rs.354,334 of the preceding year through Journal Entry No.48 of the year under review as Rs.462,667 debtors' balance and the balance of Excess/Shortage Account had been overstated by Rs.108,333.
- (k) Value of Rs.148,560 recoverable from an employee of the Sabha in respect of No-Pay leave obtained for the period 2013-2017 had not been brought to account.

1.3.2 Unreconciled Accounts

Variance between balances of 03 items of Account totalling Rs.16,436,759 shown in Financial Statements and balances shown in supportive documents was observed leading to a total variance of Rs.204,525.

1.3.3 Accounts Receivable and Payable

The following observations were made.

(a) Account Receivable

- (i) No action had been taken even during the year under review to settle other revenue balance in arrears amounting to Rs.83,019,761 in 2008 as well as stamp fees and court fines of Rs.76,710,835 being brought forward since 2012.
- (ii) No action had been taken even during the year under review to reimburse Provincial Council aids of Rs.1,911,375 being brought forward 2008 and street lamp donations of Rs.165,000 receivable for 2014 and 2015.
- (iii) No action had been taken to recover pre paid balance of Rs.1,386,500 being brought forward since 2004.

(b) Accounts Payable

- (i) Action had not been taken to settle Rs.90,000 being allowances to staff preparing stamp fees applicable to the period 2014-2016.
- (ii) Action had not been taken even during the year under review to identify and settle creditor balance of Rs.170,958 being brought forward since 2008.

1.3.4 Lack of Written Evidence for Audit

Non Presentation of Information for Audit

Due to non presentation of required information it was not possible to satisfactorily verify at the Audit 12 Accounts totalling Rs.61,648,302.

1.3.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions ----- -----	Value ----- Rs.	Non-Compliance -----
(a) Section 132(i) of the Pradeshiya Sabha Act No.15 of 1987	205,480	Expenditure had been made on 05 occasions for Local Govt.Sport meet without approval of the Hon.Minister in Charge of the subject.
(b) Employees Trust Fund Act No.46 of 1980	56,270	Due to non remittance of 3% contribution of 07 substitute employees properly to the Employees Trust Fund, a surcharge had been paid from the Sabha Fund in September 2017.

(c) Pradeshiya Sabha

(Financial & Administration) Rule 1988

- (i) Rule 33 - Lists on individuals who have evaded the payment of rates and taxes at the end of each quarter and warrant lists on forfeiting property had not been prepared.
- (ii) Rule 59 - Neither conducted a survey on industries within the area of authority nor prepared a list on the same.
- (iii) Rule 145 - Neither prepared detailed statements on repayable deposits nor adjustments had been made with ledger balance.
- (iv) Rule 180 - Although a Security had to be submitted by officers in charge of money and officers collecting revenue within a month from the date of appointment, this rule had not been adhered to.
- (v) Rule 217 - A register on all lands and buildings as per P.S.46 form had neither been maintained, nor updated.

(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

-
- (i) FR 102 to 110 - Neither submitted reports on losses and damages for audit nor maintained a register on damages.
 - (ii) FR 396(d) 53,827 - Action had not been taken on 06 validity expired cheques not submitted for payment although issued from General Account.
 - (iii) FR 1645 & 1646 - Daily running charts and monthly

performance summaries in respect of 18 vehicles owned by the Sabha had not submitted for audit.

(e) Treasury Secretary ,s
Circular No.IAI/2002/02
dated 28 Nov.2002

No fixed Assets Register had been maintained on computers, accessories and software owned by the Sabha.

2. Financial Review

2.1 Financial Results

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.27,977,943 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.22,013,279.

2.2 Revenue Administration

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

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows:

Source of Revenue	Estimated Revenue	<u>2017</u>			<u>2016</u>			Total in arrears as at 31 Decemb.
		Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem.	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decemb.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & Taxes	5,017,000	4,804,198	3,873,000	8,097,992	5,217,000	4,596,294	3,096,611	7,166,794
Lease Rent	2,869,700	2,066,397	2,175,252	571,100	2,660,000	2,144,825	2,073,750	679,955
Licence fee	1,651,000	2,502,469	2,568,172	500	1,932,000	2,571,190	2,614,940	66,203
	9,537,700	9,373,06	8,616,424	8,669,59	9,809,000	9,312,30	7,785,301	7,912,95

=====	4	=====	2	=====	9	=====	2
=	=====	=	=====	=	=====	=	=====
=	=	=	=	=	=	=	=

2.2.2 Performance in Revenue Collection

 Estimated Revenue of the year under review was Rs.9,537,700. Billed Revenue was Rs.9,373,064, Billed Revenue was Rs.9,373,064, Collected Revenue was Rs.8,616,424 and Revenue in Arrears was Rs.8,669,592.

2.2.3 Rates and Taxes

 Of the rates and taxes amounting to Rs.11,970,992 recoverable for the year under review, Rs.3,873,000 had been recovered during the year. Accordingly rates and taxes balance in arrears at the end of the year amounted to Rs.8,097,992. In comparison to the initial balance the final balance had been over stated by Rs.931.198.

2.2.4 Lease Rent

 Of the Lease Rent of Rs.2,746,352 recoverable during the year under review recovery had been 79 percent.

2.2.5 Court Fines and Stamp Fees

 Stamp fees of Rs.71,933,600 and Court Fines of Rs.9,009,786 were recoverable as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Council.

2.2.6 Surcharges

 A sum of Rs.2,682,125 had been recoverable as at 31 December 2017 in respect of 04 Surcharges imposed during preceding year by me against responsible individuals in terms of provisions of the Pradeshiya Sabha Act.

3. Operating Review

3.1 Performance

 Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility

services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradelshiya Sabha Act are as follows:

(a) **Action Plan**

No annual action plan has been prepared in respect of activities to be performed by the Sabha in terms of by-laws enacted.

(b) **Solid Waste Management**

The following observations were made.

- (i) Although all types of waste collected within the area of authority shall be a property of the Sabha in terms of Section 94 of the Pradeshiya Sabha Act No.15 of 1987, only non decaying waste were collected and given to an outside individual.
- (ii) In terms of the Circular for regularization of waste management No.PL/1/5/12 of the Secretary, Ministry of Local Government and Provincial Councils, His Excellency the president by his Gazette Notification No.2015/53 dated 20 April 2017 had made all activities relating to waste and their selling an essential service performed by any Local Government Institution under Chapter 42 of the Public Security Ordinance. However the Sabha had neither any plan nor any arrangement on waste being piled in the area of authority.

(c) **Sustainable Development Targets**

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the Sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

3.2 Management Inefficiencies

Leasing of Stalls

The following observations were made

- (i) The land, where Pinnaduwa Trade complex constructed by the Sabha was located, was owned by the Land Reform Commission and no action had been taken to acquire the ownership to the Sabha.
- (ii) Although the period of agreement in respect of the stall No.02 of the Trade Complex expired on 24 September 2009, no action had been taken to renew it.
- (iii) No lease rent whatsoever was recovered from stall No.06 of the Trade Complex and the arrears as at 31 December had been Rs.177,650.

3.3 Human Resources Management

The following observations were made.

- (a) (i) Although 03 posts of Management Assistant, one post of Crematorium Assistant and one post of Library Assistant remained vacant, no action had been taken to fill those vacancies.
- (ii) A sum of Rs.1,630,827 had been paid during the year under review for 07 employees recruited by the Sabha on substitute basis in contrary to the Management Circular No.28 dated 10 April 2006.

(b) Staff Loan

Although there were staff loan balances of Rs.157,256 recoverable from 09 employees retired, transferred and subjected to termination of the service at the end of the year under review, no action had been taken to recover the same.

3.4 Assets Management

3.4.1 Idle and Under Utilized Assets

The following observations were made.

- (a) A cab owned by the Sabha had been parked in the Sabha premises over a period of 03 years.
- (b) A hand tractor with a trailer had been parked in the Sabha premises over 02 years.

3.4.2 Utilization of Assets not Acquired

A cab and a tractor with a trailer to be used by the Sabha were not owned by the Sabha.

3.4.3 Utilization of Vehicles

According to running chart note book of the Cab owned by the Sabha Milo metre was 477448 km as at 20 November 2017. However according to Milo Metre reading of the vehicle, the total running distance was 478933 km leading to variance of 1485 km.

4. Accountability and Good Governance

4.1 Budgetary Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) A total saving of Rs.42,460,644 in 09 expenditure captions was shown, percentage of which ranged between 10 percent to 98 percent.
- (b) Adverse variance of one expenditure caption had been Rs.796,132, percentage value of which was 452 percent.
- (c) Adverse variance of 05 items of expenditure had been Rs.15,828,816, percentage value of which ranged between 04 percent to 28 percent.

4.2 Internal Auditing

Although an Internal Auditor had been appointed as per F.R.133 & 134 of the Republic of Sri Lanka and the Circular No. දපපා/යන/01/නා.ව.ලේ. dated 24 February 2014 of the Provincial Commissioner (Southern Province), no sufficient internal auditing had been done.

5. Systems and Control

Shortcomings observed at the auditing were brought to the attention of the Sabha and special attention shall be paid to the following fields.

System	Defect
-----	-----
(a) Accounting	(i) Balances of assets and liabilities being brought forward from preceding years had not been settled.
	(ii) Account balances receivable and payable

had not been settled.

- (b) Assets and Property
 - (i) Seperate Registers had not been maintained on fixed assets and computers.
 - (ii) Annual board of surveys had not been held on lands and buildings.
- (c) Staff Management
 - (i) Action had not been taken either to fill vacancies in the staff or to regularize exces staff.
 - (ii) No action taken to recover loan balance.
- (d) Vehicle Control
 - (i) Fuel burning had not been tested.
 - (ii) No action taken to repair/dispose of idle vehicles.
 - (iii) Daily running charts and monthly performance summeries had not been submitted for audit.
- (e) Revenue Collection
 - (i) Revenue in arrears had not been recovered.
 - (ii) Action had not been taken to repair delapitated stalls and to earn revenue by leasing out the same.
- (f) Budgetary Control
 - (i) Adverse variance appeared in respect of 03 items of revenue.
 - (ii) Action had not been taken to revise Budget through follow up action on revenue and expenditure.