

Akkaraipattu Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 06 June 2018 and the Auditor General's Report was sent to the Chairman on 19 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect 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 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 Policies

Accounting Policies which had been used for the preparation of financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Cost of 125 books destroyed according to the recommendations made by board of survey in the years 2014 and 2015 had not been written off from the accounts.

1.3.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with Laws, Rules and Regulations observed in the audit are shown below.

Reference to Laws, Rules and Regulations

Non-compliance

(a) Section 12(1) and (2) of Pradeshiya Sabha Act No.15 of 1987

Action has not been taken to establish and implement separate groups for subjects such as financial and policy planning, housing construction and social development, technical services, environment and common amenities, to make correct decisions with a view to facilitate the work of the Pradeshiya Sabhas.

- (b) Chapter I Section 5 (XII) of Pradeshiya Sabha Regulation (Finance and Administration) 1988 Even though duties such as cash, inventories and signing cheques had been assigned to three officers, security deposits had not been taken from those officers.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the income over recurrent expenditure for the year ended 31 December 2017 amounted to Rs.6,006. When compared with the income over recurrent expenditure of the preceding year amounted to Rs. 1,603,549 a deterioration of Rs.1,597,543 in the financial results had been shown.

2.4 Revenue Administration

2.4.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Item	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Taxes	10,000	-	-	-	-	-	-	-
(ii) Rent	1,800,000	1,472,413	1,472,413	-	1,711,725	1,885,355	1,885,355	-
(iii) License Fee	274,000	374,000	374,000	-	182,000	313,150	313,150	-
(iv) Other Revenue	3,365,000	2,032,549	1,601,956	1,010,326	2,108,000	3,427,440	3,838,892	579,734

2.2.2 Performance of Revenue Collection

A sum of Rs. 3,448,369 had been recovered during the year under review out of the value of Rs.4,458,696 recoverable up to 31 December 2017 by the Saha. Accordingly, the revenue collection percentage shown as 77%.

2.2.3 Rates and Taxes

As a result of not taking action according to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, assess and recover rates on 368 business places and 4,673 houses within the authority area of Pradeshiya Sabha from the year 2010; nearly an income of Rs. 2,520,500 had been lost annually.

2.2.4 Court Fines

Action had not been taken to recover arrears of court fine amounting to Rs. 993,701 as at 31 December 2017.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Action had not been taken to obtain the ownership of 7 lands in an extend of 505 perches of which the Sabha Office, Library, Common market and the Play Ground situated.
- (b) A sum of Rs. 15,920 had been paid as fines due to failure in obtaining revenue license on time for vehicles owned by the Sabha from the year 2014 to the year 2017.
- (c) Even though there were 14 vehicles owned by the Sabha, those vehicles could not be used for Sabha activities due to only 03 drivers had been deployed to those vehicles

3.2 Library Activities

Although the Pradeshiya Sabha has allocated a provision of Rs. 100,000 for the purchase of books for public libraries according to the budget for the year 2017, only books valued at Rs. 18,070 had been purchased during the year under review. Furthermore, books had not been purchased for need of readers.

3.3 Contract Administration

3.3.1 Renovation of Mara – Aalai Road

Although the Pradeshiya Sabha has repaired the Mara-Aalai Road laying concrete at a cost of Rs. 1,501,668 in 2017, the payments had been made without laying the gravel of 20.65m³ valued at Rs. 18,998 on both sides of the road up to 02 March 2018.

3.3.2 Concreting the Vaikkal Road

The Pradeshiya Sabha had entered into an agreement with a community centre for the Concreting the Vaikkal road for amounting to Rs. 1,499,458 from the provision of Rs. 1,500,000 under the 2016 Nelsip Plan. However, contrary to the Section 3.9.1 of the Procurement Manual, work of renovating this road was completed after entering into a sub agreement by the community centre with another institution. Further, when inspecting this road directly with the Technical Officer of the Sabha and Comparing to the measurements it was seen the measurements were less by 2.48 m³ and Rs.37,992 had been paid to the contractor. Details are shown below.

List No.	Payment were made			As per Actual Measurement			Over Payment Rs.
	No. of Units	Price Rs.	Total Rs.	No. of Units	Price Rs.	Total Rs.	
04	84m ³	14,070	1,181,880	81.52m ³	14,070	1,146,986	34,894
05	53m ²	690	24,150	30.5m ²	690	21,052	<u>3,098</u>
							<u>37,992</u>

4. Accountability and Good Governance

4.1 Budgetary Control

Even though it was taken a decision to construct roads, drainages which were not done up to now and to develop the three libraries, from the provisions of the Budget Plan for the year under review, only Rs. 70,717 had been spent from the provision of the Sabha for these development activities and meaningful plans have not been proposed by the Sabha relating to physical and health services assuring the development of the area.

4.2 Unresolved Audit Paragraphs

Following observations are made

- Assets totalled Rs. 25,808,155 and Liabilities totalled Rs. 2,398,775 had been written off from the accounts without proper approval when the Akkaraipattu Pradeshiya Sabha was separated into 2 management units as a Municipal Council and a Pradeshiya Sabha from the year 2011
- Under the Strengthening of the Pradeshiya Sabha Programme in 2015, the contracts were handed over to a community centre for the rehabilitation of the internal roads of the Alim City. Even though the motor grader of the Sabha had been used to related

activity with the written confirmation of the Technical Officer, a sum of Rs. 42,000 for the work done by that motor grader was paid to the community centre.

- (c) The JCB machine of the Sabha had been repaired spending a sum of Rs.115,128 after met with an accident during the year under review. Out of this expenditure compensation of Rs. 37,500 had been received from the insurance company. Nevertheless, the Sabha had not taken action to complaint in the Police to make an investigation, in accordance with Financial Regulations 103, 104 (1) relating to this accident and to calculate the loss and determine the persons responsible for this.
- (d) A sum of Rs. 34,749 had been overpaid to the Water Resource and Drainage Board for obtain the water connection in the year 2016 due to payment of Value Added Tax rate of 15 per cent instead of 11per cent of VAT

5. System and Control

Special attention is needed in respect of the following system and matters mentioned against them.

Control Area -----	Matters to which Special Aattention is Needed -----
(a) Fixed Assets Control	(i) Maintaining fixed assets register. (ii) Taking action to use idle fixed assets.
(b) Revenue Collection Management	Taking action to recover arrears of revenue.
(c) Contract Administration	(i) Paying attention to community centres not come into agreements for sub-contract when awarding contracts. (ii) Granting of time extensions only for acceptable reasons.
(d) Solid Waste Management	Collecting separated solid wastes.