

Akuressa Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Akkuressa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The balance of Rs.61,881 in the cash book which existed since 2016 had been written off in the Accumulated Fund during the previous year. This had not been rectified even during the year under review.	Should be correctly brought to account.	Action will be taken to rectify in future.
(ii) The difference between the Agreement Security Deposit Account and the schedules forwarded along with the financial statements amounted to Rs.73,800. This had been adjusted in the Accumulated Fund during the previous year without being identified. This had not been rectified even during the year under review.	Should be correctly brought to account.	Action will be taken to rectify in future.

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| (iii) | The balance of work creditors as at end of the year under review had been overstated by Rs.977,049. | Creditors should be correctly brought to account. | Action will be taken to rectify in future. |
| (iv) | Provision for audit fees of Rs,152,214 had not been made. But, payments had been made from the creditors during the year under review. | Should be correctly brought to account. | Action will be taken to rectify in future. |
| (v) | Interest on fixed deposits receivable as at end of the year under review had been overstated in the accounts by Rs.34,298. | Should be correctly brought to account. | Action will be taken to rectify in future. |
| (vi) | Provision for work creditors amounting to Rs.1,466,587 had been made during 2014 without specific identification. Action had not been taken to rectify it even during the year under review. | Creditors should be correctly brought to account. | Action will be taken to rectify in future. |
| (vii) | The balance of work debtors as at end of the year under review had been understated by Rs.160,739. | Debtors should be correctly brought to Account. | Action will be taken to rectify in future. |

(b) Unreconciled Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The balance of 09 items of accounts aggregating Rs.33,962,434 as per financial statements and the balances in the related subsidiary registres/ schedules differed by a total amount of Rs.10,682,576,	The differences of balances concerned should be reconciled for rectifying the accounts.	Action will be taken in future to identify the cause of differences between the balances accounted and the balances entered in the registers and to rectify them by journal entries.

(c) Lack of Necessary Documentary Evidence for Audit

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Four items of accounts aggregating Rs.79,429,494 could not be	Evidence to confirm the balances shown in the	Action will be taken to update and maintain the

satisfactorily vouched in audit due to non rendition of necessary information.

financial statements should be furnished.

register of assets and letters of confirmation of balances concerned are furnished herewith.

1.4 Non compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a) Pradeshiya Sabha Act No.15 of 1987			
(i) Sections 49 and 52	Proper action had not been taken regarding unauthorized constructions according to the section concerned.	Action should be taken in terms of the Act.	Action will be taken in future to take legal action against unauthorized constructions.
(ii) Section 150(4)	The Secretary of the Sabha had not paid attention to recover the revenue due to the Sabha.	Action should be taken in terms of the Act.	Action will be taken in future to acquire the stalls and to issue distraining orders.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules			
Rule 193	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a	Action should be taken according to the rule.	Action will be taken to furnish while preparing final accounts of 2019.

statement showing surpluses and deficits had not been furnished.

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| (c) Treasury circular No. 2002/02 of 28 November 2002. | A register of fixed assets had not been maintained for computer accessories and softwares in terms the circular. | Action should be taken according to the circular. | Action will be taken to update the register from 2019 and to maintain it methodically |
| (d) Circular No. 433/2010/01 of the Southern Commissioner of Local Government. | Agreements of 26 ground stalls and 62 permanent stalls had not been updated as per circular. Agreements had not been entered into for 11 ground stalls. | Action should be taken according to the circular. | Verifications had been carried out regarding this ground tax and stalls. The report will be presented at the General Council meeting in May and further action will be taken according to the decision taken. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.12,940.635 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.11,364,504.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,012,000	2,168,357	1,990,568	1,547,979	2,215,305	2,176,276	2,072,989	1,370,190
Rent	3,600,000	3,363,845	2,834,789	7,337,537	3,475,000	3,104,391	6,889,710	6,808,481
Licence Fees	1,875,000	1,717,457	1,717,457	--	1,800,000	1,528,022	1,528,022	--
Other Revenue	16,500,000	15,740,689	9,145,408	28,858,469	18,000,000	11,510,557	10,694,640	22,263,188
Total	23,987,000	22,990,348	15,688,222	37,743,985	25,490,305	17,503,329	21,185,361	30,441,859

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>The estimated revenue for the year under review amounted Rs.23,987,000. Arrears of Rs.30,441,859 at commencement of the year under review and the billings of Rs.22,990,348 had resulted in receivables amounting to Rs.53,432,207. The total recoveries during the year amounted to Rs.15,688,222 and as such the arrears receivable as at 31 December of the year under review amounted to Rs.37,743,985.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>Requests had been made from the Chief Secretary for obtaining stamp fees and court fines. The higher value of arrears of revenue is due to the high value of stamp fees and court fines (42 per cent)</p>

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>(a) Rates</p> <p>-----</p> <p>The arrears of rates and taxes at commencement of the year under review amounting to Rs.1,332,189 added to the billings of the year amounting to Rs.2,276,694 and surcharges had resulted in receivables amounting to Rs.3,608,683. The total recoveries during the year amounted to Rs.1,977,088 resulting in arrears of balances of Rs.1,631,795 as at end of the year. Total recoveries was 55 per cent of the balance at the commencement and the billings.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>Action had been taken to appoint revenue inspectors as distraining officers in order to recover arrears.</p>

(b) Acreage Tax

The balance of acreage tax at the commencement amounted to Rs.38,002 and the billings of the year amounted to Rs.15,535. The total recoveries during the year under review amounted to Rs.13,480 resulting in an arrears of Rs.40,057 as at end of the year. The total recoveries was 25 per cent of the balance at the commencement and the billings.

Recovery of arrears of revenue should be intensified.

Many properties included in the register of acreage tax had been separated into blocks. As such, action had been taken to survey them and action had also commenced to recover arrears.

2.2.4 Rent

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

(a) Stall Rent

The arrears at the commencement amounting to Rs.6,258,563 added to the billings and surcharges of Rs.2,989,379 had resulted in receivables amounting to Rs.9,247,942. The total recoveries during the year amounted to Rs.2,545,600. As such, the arrears of balances as at end of the year amounted to Rs.6,702,342. The total recoveries was 28 percent of the arrears at the commencement and the billings.

Recovery of arrears of revenue should be intensified.

Action had been taken to recover Rs.153,543 of the balances of arrears by 31 March 2019. Action will be taken in future to carry out a survey and to rectify deficiencies identified and to acquire stalls where arrears prolongs while initiating legal action against them.

(b) Ground Tax

The arrears at the commencement amounted to Rs.549,918. The billings and surcharges of the year amounting to Rs.374,466 added to it had resulted in receivables amounting to Rs.924,384. The total recoveries amounted to Rs.289,189 and as such the balances of arrears at end of the year amounted to Rs.635,195. The

Recovery of arrears of revenue should be intensified.

A survey had also been carried out to recover arrears of ground tax. The decision of the board of survey had been presented to the General Council in May2019. Action will be taken accordingly to recover arrears in future.

total recoveries was 31 per cent of the arrears at the commencement and the billings.

2.2.5 Other Revenue

Court Fines and Stamp Fees

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>Court fines of Rs.3,913,906 and stamp fees of Rs.24,944,563 were due from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>A request had been made for obtaining court fines and stamp fees by the letter No.AK/PS/02/03/07 of 02 January 2019. In response to the request, court fines of Rs.2,032,673 and stamp fees of Rs.467,327 had been obtained on 06 February 2019.</p>

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye-Laws

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) The bye-laws issued for sale of fish by Gazette Notification No.520/7 of 23 August 1988 had not been followed. As such, instead of calling for annual tenders, 07 stalls of the Akuressa Public Market had been allowed for sale of fish at the rate of Rs.750 per month.</p>	<p>Action should be taken according to the bye-laws.</p>	<p>The then General Council had decided to allow 07 fish stalls of the public market on long term lease basis. Action will be taken in future to adopt methods favourable to the Sabha by looking into legal aspects.</p>

(b) Although bye-laws had been enacted in 2002 to recover garbage tax, action had not been taken to recover tax from hospitals, factories, housing complexes and meat stalls.

Action should be taken according to the bye-laws.

Business centres with such levels for recovery of garbage tax were not in existence and rates had been collected from premises where garbage had been collected. Therefore, it was unable to levy garbage tax.

(b) Action Plan

Audit Observation

An annual action plan had not been prepared for all the tasks to be fulfilled by the Sabha according to the bye-laws enacted.

Recommendation

An annual action plan should be prepared.

Comments of the Accounting Officer

Akuressa Pradeshiya Sabha had not prepared an action plan for 2018. But, an action plan for 2019 had been prepared which is being implemented now.

(c) Solid Waste Material Management

Audit Observation

An expenditure of Rs.4,967,104 had been incurred during the year under review on behalf of salaries and wages, fuel and repairs to vehicles with regard to solid waste material management. However, non-degradable garbage collected had been handed over to the Kotawila garbage sector belonging to the Matara Municipal Council while the degradable garbage had been disposed of in a private land in the Akuressa town.

Recommendation

A compost sector should be established and activities started for proper disposal of garbage.

Comments of the Accounting Officer

Two vehicles cannot travel at a time on the access road of the compost sector as the space is inadequate. As such, activities of the compost sector would be commenced soon after widening of the road.

(d) Sustainable Development Targets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.	Programmes to achieve sustainable development objectives and targets should be planned and implemented.	Action is being taken to bring awareness among people's representatives and the officers regarding sustainable development objectives and targets and to prepare long term plans for upliftment of livelihood and health of the public of the area.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Authority to initiate legal action and other ancillary activities relating to unauthorized constructions had been vested with the Sabha in terms of the Planning Circular No.27 of 04 December 2017 bearing No.05/02/01/10 referred to the Pradeshiya Sabha by the Chairman of the Urban Development Authority. However, legal action had not been taken regarding 07 unauthorized constructions brought to the notice of the Sabha by the Matara Deputy Director (Planning) of the Urban Development Authority by his letter dated 18 September 2018.	Action should be taken according to the circular.	Legal action will be taken regarding constructions, provided it is confirmed that required conditions had not been fulfilled.
(b) Legal action had not been taken against 15 unauthorized constructions within the Akuressa urban area. Action had not been taken to grant covering	Action should be taken according to the circular.	Legal action will be taken regarding constructions, provided it is confirmed that required conditions had not

approval for buildings by recovering fees for which such approval could have been granted.

been fulfilled.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Vacancies and Excesses in the Cadre		

Action had not been taken even by end of the year under review to fill 18 vacancies in the approved cadre and to regularize 08 excesses.	Vacancies in the cadre should be filled and the excesses regularized	Two vacancies had been filled. Action is already being taken to fill the remaining vacancies.
(b) Employees' Loans		

Action had not been taken even by end of the year under review to recover the arrears of loan balances amounting to Rs.163,003 due from employees who had defaulted payment of instalments, as per register of employees' loans.	Arrears of loan balances should be recovered soon.	Action will be taken in future to write off loans exceeding 10 years which amounted Rs.53,312 with the approval of the Chief Minister and action will also be taken to recover loans amounting to Rs.280,387 less than 10 years.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Rates had not been assessed after 2010 and as such rates could not be recovered from new constructions.	Action should be taken according to the Act.	The Chief Minister's approval had been obtained in 2017 to obtain assessment of rates. Requests had been made to the Department of Valuation since 2017 to assess the rates. The

		requests had not been fulfilled yet.
(b) The assessment tax should be revised every 05 years in terms of the circular of the Southern Commissioner of Local Government No.දපපා/පපාකො/2010/01 of 27 December 2010. However, new assessments had been made for 11 out of 79 stalls only even by 10 April 2019.	Action should be taken according to the circular.	Action will be taken in future to assess stalls, the validity period of which had expired.
(c) According to the above circular, key money should be paid within 06 months up to a maximum of 06 months. However, a sum of Rs.4,736,848 was due from 18 stalls by 10 April 2019 the period of agreement of which had expired.	Action should be taken to recover arrears of revenue.	Action is being taken to acquire 16 of these stalls. Action will be taken in future to acquire stalls which owes arrears.
(d) Tenders had not been called for, in respect of 12 stalls for 13 years since their completion of construction in 2005. As there were unauthorized constructions blocking the passage leading to 74 stalls constructed, the consumers' arrival at the market was at a low level. As a result, 41 stalls remained closed even as at 10 April 2019.	Blockage should be removed and tenders called for, to give on lease.	Tenders had again been called for the remaining stalls after giving stalls on lease. But, lessees had not come forward.
(e) The Sabha was entitled for 01 acre, 01 rood and 19 perches of land after sub division of the land of 13 acres, 02 roods and 37.62 perches (except road) in terms of the Gazette Extraordinary Notification No.392/7 of 16 March 1986	Action should be taken in terms of the Gazette Notification.	Approval for sub division had been granted under the Housing and Development Ordinance. As such, the land to be specifically allocated for community and entertainment activities had not been stated in that Act.

issued by the Urban Development Authority. However, the Sabha had obtained only 41.44 perches of land.

As such, 41.44 perches had been obtained.

(f) The Commissioner of Local Government had recommended an estimate for Rs.1,190,747 to construct a garage within the premises of the Sabha under the National Programme for Strengthening of Pradeshiya Sabhas during the year 2013. However, the work had not commenced even by 10 April 2019 and 18 vehicles valued at Rs.61,360,772 remained parked in the premises of the Sabha exposed to elements.

Construction activities should be identified.

Necessary estimates to construct 02 car parks in the premises of the Sabha and the crematorium had been proposed. The construction activities will commence soon after obtaining the approval of the Commissioner of Local Government.

3.5 Assets Management

3.5.1 Assets not Registered

Audit Observation

Fixed assets valued at Rs.652,437 purchased by the Sabha during the previous year and the year under review had not been entered in the register.

Recommendation

All assets should be entered in the register of fixed assets.

Comments of the Accounting Officer

Action will be taken in 2019 to enter in the register all fixed assets purchased, but, not entered in registers.

3.5.2 Safety of Assets not Ensured

Audit Observation

(a) According to the instruction letter No. ୧୩୩/15 of 19 March 2007 of the Southern Commissioner of Local

Recommendation

Action should be taken according to the letter of instructions.

Comments of the Accounting Officer

Activities relating to preparation of title deeds and survey plans to settle ownership of land belonging

Government, the safety of all properties of local authorities should be ensured and rectifications of boundaries should be made by re surveying lands which faces problems. However, such action had not been taken regarding 28 blocks of land.

to the Sabha had commenced. Boundaries will be demarcated subsequent to settlement of ownership of land.

(b) Encroachers had constructed stalls in 05 blocks of land of the Sabha and were reaping the benefits whereas the Sabha had not taken any action, whatsoever, regarding unauthorized constructions.

Necessary action should be taken soon.

Action will be taken to inquire into unauthorized constructions in blocks of land belonging to Sabha in order to remove those concerned.

3.5.3 Idle/Under Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Attention had not been paid to obtain revenue by way of cultivation tax or annual lease by offering 16 lands of the the Sabha lying idle without being beneficially used.	Action should be taken for beneficial usage or for disposal of the land.	Action had been taken to offer 04 lands of the Sabha on annual lease basis from 2019.
(b) A tractor valued at Rs.645,000 and a double cab valued at Rs.1,310,000 both belonging to the Sabha remained	Should be beneficially used, if not, action should be taken for disposal.	An assessment report had been obtained from the Mechanical Engineer.Action will be taken in future to auction.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
An expenditure of Rs.6,229,228 had been incurred on purchases during the under review year without a procurement plan.	An annual procurement plan should be prepared.	A procurement plan for 2018 had not been prepared. A procurement plan for 2019 is being prepared.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Savings in 07 objects aggregated Rs.12,924,995 ranging from 18.5 per cent.	Feasible estimates should be prepared	Attention will be paid during the future preparation of budget.
(b) The targets not achieved in 03 items of revenue aggregated Rs.13,706,823 ranging from 26 to 58 per cent.	Feasible estimates should be prepared.	Attention will be paid during the future preparation of budget.

4.2 Implementation of Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
Although an Audit and Management Committee had been established as per provisions in the Management Audit Circular No.DMA/2009 of 09 June 2009, only one meeting had been held even by end of the year under review.	Action should be taken according to the circular.	Action will be taken to conduct Audit and Management Committee meetings from this year.