

**Akkaraipattu Municipal Council**

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**Ampara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year 2019 had been submitted to audit on 03 March 2020 and the summarized Auditor General's Report and detailed management report was sent to the Council on 29 May 2020.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Akkaraipattu Municipal Council as at 31 December 2019 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.2.1 Basis for Qualified Opinion**

**Accounting Policies**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Arrears of rates and taxes amount of Rs.601,528 and Rs.2,803,219 of rent, were not included in the income and expenditure account.	Revenue due is to be accounted for.	Not answered.
(ii) Interest income received during the year under relating to the previous year was Rs.784,386 and it was accounted as income for the year under review.	Revenue and expenditure for the relevant year should be properly accounted for.	Not answered.
(iii) The land and building balance included road costs of Rs.310,828 and building repairs of Rs.526,054 were accounted for as capital expenditure.	Expenditure should be categorized and shown under the Expenditure subject account.	The above land and building balance incorrectly included road costs also. I would like to inform you that necessary steps have been taken to rectify this. Action will be taken to rectify the building repair costs.

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| (iv) | The value of 18 vehicles had not been assessed and stated in the accounts.   | The value of the vehicles should be assessed and accounted for.              | The letter dated 09.01.2019 had requested the Batticaloa District Revenue Assessment Department to assess the value of all vehicles and take them into account. |
| (v)  | Although the proceeds from the sale of the damaged material in 2018 were stated as Rs.80,650, the cost of those assets had not been removed from the accounts. | Action should be taken to remove the cost of those assets from the accounts. | Action will be taken to rectify this.   |

**1.4 Non-compliances**

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Non-Compliance with Laws, Rules, Regulations and Management Decisions  
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<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-Compliances</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Section 218 of the Municipal Council Ordinance	A report on the administration had not been prepared for the year under review.	Action should be taken to prepare a report on the administration.	The report on the administration is being prepared.
(b) Section 203 of the Motor Traffic Act	Although revenue licenses should be obtained for all vehicles annually, revenue licenses had not been obtained for 13 vehicles used by the Council.	Action should be taken to obtain revenue licenses.	At present, steps are being taken to obtain them.
(c) <b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>			
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(i) Financial regulations 189	Although the bank had rejected the cheque for Rs.45,255 received for rent in 2014, no action had been taken to obtain the money.	Action must be taken expeditiously, in accordance with Financial regulations.	Not answered.

(ii) Financial regulations 396	11 cheques worth Rs.47,403 which had not been submitted for payment for more than 06 months had not been dealt with.	Action needs to be taken to make adjustments.	Reminders have been sent to those concerned and if the checks are not transferred, action will be taken to transfer them to income.
(iii) Financial regulations 571	Bid deposits amounting to Rs.105,000 over two years had not been settled or transferred to income.	Action must be taken to repay or transfer to income.	I would like to inform you that tender deposits exceeding two years will be taken as income from the relevant amount.
(d) Chapter 623, Section 3 (1) of the Employees Provident Fund Act No. 15 of 1958 dated 01 June 1958	Rs.144,117 of contributions due to the Employees Provident Fund for the years 2018 and 2019 had been retained in the General Deposit Account without being remitted to the Fund even by 15 May 2020.	Employees Provident Fund contributions must be sent to the Fund in a timely manner.	Due to non-receipt of the Employees Provident Fund contribution number, it was deposited in the public deposit account until they were received. Action is being taken to repay to the labour department.
(e) Section 16 (1) of Chapter II of the Employees' Trust Fund Act No. 46 of 1980 dated 29 October 1980	Contributions payable to the Employees' Trust Fund for the year 2018 were deposited in the Public Deposit Account without being remitted to the Fund of Rs. 26,928.	Contributions to the Employees' Trust Fund must be sent to the Fund in a timely manner.	Due to non-receipt of the Employees Trust Fund contribution number, it was deposited in the public deposit account until they were received. Action is being taken to repay to the labour department.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs.16,429,240 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.15,321,575.

### 2.2 Revenue Administration

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

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	10,125,000	10,002,000	9,400,472	37,471,096	10,100,000	19,089,724	7,462,795	36,869,569
Rental	22,181,224	22,596,023	19,790,804	21,443,890	16,557,920	15,785,506	2,407,855	18,638,671
License Fee	3,125,000	3,456,380	3,456,380	--	2,650,000	2,265,010	2,265,010	--
Other Revenue	<u>14,975,000</u>	<u>10,612,631</u>	<u>15,466,737</u>	<u>2,589,562</u>	<u>11,450,000</u>	<u>3,165,283</u>	<u>9,581,698</u>	<u>7,443,668</u>
	<u>50,406,224</u>	<u>46,667,034</u>	<u>48,114,393</u>	<u>61,504,548</u>	<u>40,757,920</u>	<u>40,305,523</u>	<u>21,717,358</u>	<u>62,951,908</u>

### 2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
The total rates and taxes due by the end of the year under review from <b>12,873</b> assessment units, was Rs. <b>46,869,569</b> , but only <b>20</b> percent or Rs. <b>9,398,472</b> was charged during the year under review.	Action should be taken to levy rates and taxes.	I will be take steps in the future to increase the recovery rate of rates and taxes up to 85%.

### 2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Out of the market rent of Rs.19,105,939, relating to the period from 1992 to the end of the year under review, only 60 per cent or Rs. 11,508,809 had been recovered.	Action should be taken to recover the rental income of the year under review along with the arrears of the previous year.	Not answered.
(b) Out of the vehicle park rent of Rs.439,680, relating to the period from 1994 to the end of the year under review, only 20 per cent or Rs. 91,500 had been recovered.	In case of default in payment of rent, action must be taken according to the terms of the agreement.	Not answered.

## 2.2.4 Human Resource Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) There were 59 vacancies in the approved cadre.	Action should be taken to fill the vacancies.	The Department of Local Government and the Ministry of Local Government have been informed regarding the filling of vacancies.
(b) The Medical Superintendent of Health, the Public Health Inspector and the Family Health Officer were not permanently present.	Action should be taken to fill the vacancies.	The Department of Local Government and the Ministry of Local Government have been informed regarding the filling of vacancies.
(c) Rs.118,997 had not been recovered from two officers who retired in 2012 and died in 2007.	Further action should be taken to recover the arrears.	Arrangements are being made to recover arrears from the guarantor of the retired officer and the deceased officer.

## 3.3 Operational Inefficiencies

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) At the end of each month from January to December 2019, there were cash balances in the bank current account ranging from Rs.14.0 million to Rs. 20.1 million. Due to the failure to invest this excess money effectively, a significant return was lost.	The income of the council should be increased by investing excess money in short-term deposits to earn income by formally guessing.	This cash balance was include the cash book balance, salary reimbursement, bid deposits, etc., and to maintain the liquidity for the recurring expenses of the House.
(b) 48 fish market stalls, 48 new building stalls, a bus stand stall and 06 Municipal Park stalls were not rented out.	The Municipal Council should take action to rent out the shops as well as the Municipal Council should continue to collect revenue from the shops.	Applications were called at the end of each year to rent out these shops. But no one had rented the shop. Also, some shops could not be leased.

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| (c) | Although the leases of 47 shops expired in 2018, no action had been taken to renew them by 15 May 2020. | The lease agreements must be renewed, and the municipality must continue to collect revenue through the shops. | Out of 195 shops rented by Akkarai Pattu Municipal Council, 148 shops (second time openers) renewed their contracts. Only 47 shop owners (those who opened a second time) did not renew their contracts. |
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### 3.4 Assets Management

#### ----- Idle / Under Utilized Assets -----

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) To start a fire brigade in the year 2014, a building was constructed at a cost of Rs.19,882,270 had been abandoned for a period of 06 years due to unfinished construction.	The construction work should be completed and used for the relevant purposes.	The Ministry of Local Government and Provincial Councils in 2014 provided funds for the establishment of a Fire Brigade, which was in operation at the time, but was not completed due to the change of government in 2015. So far no funding has been received. Action will be taken to complete the construction of the building as soon as the funds are received from the Ministry.
(b) The machine, which was purchased at a cost of Rs.999,500 in 2018 to produce compost manure from solid waste, was not fully utilized until 15 May 2020.	Action needs to be taken to restart these activities.	The production of compost could not be expedited due to the protests of the people against the separation of the fully compiled compost file from the composting machine. However, there are plans to relocate these in the future or to expand compost production on the spot by holding friendly discussions with the public and senior officials.
(c) An amount of Rs. 2.3 million had been fruitless due to the electric train installed in the children's park under the Nelsip program being inactive since 2018.	Children's electric trains should be activated to generate revenue.	Estimates have also been made to repair and continue the children's train at the children's park. Action will be taken to implement the funds as soon as they are received.

### 3.5 Failure to perform Maintenance and Repairs

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Two water bowsers, a trailer, a chain excavator, three motorcycles, four tractors and a lorry remained idle without repair.	----- Should be repaired and used, or disposed of.	----- A committee has been appointed to assess. As soon as I receive the report of this committee, I will inform you that it will be repaired or sold at auction.

### 3.6 Procurement Plan

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- For the year 2019, the Council had not prepared a procurement plan, although it had estimated Rs. 15.5 million for recurrent expenditure on supplies and services and repairs, and Rs.21 million for capital expenditure.	----- A procurement plan should be prepared and implemented.	----- A procurement plan was not prepared in accordance with the estimate prepared for the year 2019. This plan had not been formulated and implemented as our council officials had no knowledge of this. However, a proper procurement plan will be prepared for the coming year.