

Akuressa Pradeshiya Sabha

Matara District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 22 September 2011 and the financial statements for the preceding year had been presented on 15 October 2010.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Akuressa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Akuressa Pradeshiya Sabha as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The following observations are made.

- (a) Journal Entries had not been used for the recording of the opening balances of the assets and liabilities relating to the year under review.
- (b) Journal Entries had not been used for the transfer of the revenue and expenditure relating to the year to the Revenue and Expenditure Account.
- (c) The value of two boats received by the Sabha on 02 March 2007 as a donation from the Disaster Management Centre had not been assessed and brought to account.
- (d) Trade license fees amounting to Rs.16,780 receivable in respect of the year under review had been brought to account as Courts fines.

1:3:2 Unreconciled Control Accounts

The balances of 02 items of account according to the financial statements totalled Rs.31,640,396 whereas according to the subsidiary registers the balances of those accounts totalled Rs.34,555,458 and as such the difference amounted to Rs.2,915,062.

1:3:3 Lack of Evidence for Audit

Transactions totalling Rs.65,244,151 could not be satisfactorily vouched in audit due to the non-submission of information required.

1:3:4 Non-compliance

Instances of non-compliance with the following laws, rules, regulations etc. observed during the course of audit are given below.

Reference to Laws, Rules,
Regulations, etc.

Non – compliance

(a) Pradeshiya Sabha (Financial and Administrative) Rules -1988

(i) Rule 193

A Statement of Excesses and Deficits prepared by reconciliation the actual balances of the objects with budgeted and Supplementary Votes had not been presented to audit.

(ii) Rules 217 and 218

The Board of Survey Reports of fixed assets and other goods prepared by a Board of Survey appointed before the 15th day of December each year had not been presented to the Auditor General.

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

Financial Regulation 135

Financial authorities had not been delegated in writing to the officers.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.9,602,123 as compared with the corresponding excess of revenue over the recurrent expenditure amounting to Rs.9,932,770 for the year.

2:2 Revenue Administration

2:2:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Even though a request was made to the Chairman by my letter dated 03 March 2011 to furnish the information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year in a specified format, such information had not been furnished. Nevertheless, the position of arrears of revenue as appearing in the Statement of Arrears of Revenue furnished with the financial statements as compared with the preceding year is given below.

Particulars -----	Arrears of Revenue		Increase as a Percentage -----	Decrease as a Percentage -----
	<u>2010</u> Rs.'000	<u>2009</u> Rs.'000		
Acreage Tax	56	48	16.6	-
Water Rates	742	565	31.3	-
Lease Rents	2,035	2,363	-	13.9
Ground Rent	328	173	89.6	-

2:2:2 Arrears of Taxes and Charges

Action had not been taken in terms of provision in Sections 158 and 159 of the Pradeshiya Sabha Act, No. 15 of 1987 for the recovery of the arrears of taxes and charges amounting to Rs.56,428 relating to the year under review and the preceding years.

2:2:3 Trade Stall Rent, Revenue

(a) Key money amounting to Rs.9,659,862 remained receivable as at the end of the year under review from 114 trade stalls of the Akuesssa Town Trading Complex, while a sum of Rs.1,765,536 remained receivable from the trade stall holders who had not paid the trade stall rents in terms of Clause 04 of the agreement.

(b) Twelve trade stalls of the Akuesssa Town Trading Complex had been taken over and the arrears of Rs.12,157 receivable from them as at 31 December 2010 had not been recovered. Action had not been taken to enter into fresh agreements in terms of Clause 25 of the agreement for 12 trade stalls of which the lease period had expired.

2:2:4 Courts Fines

Courts fines amounting to Rs.273,693 recovered by a Magistrate's Court up to 31 December 2010 under various Ordinances and remitted to the Chief Secretary remained receivable by the Sabha.

2:2:5 Stamp Fees

Stamp Fees amounting to Rs.340,997 remained receivable as at 31 December 2010 from the Registrar General.

2:3 Expenditure Structure

The budgeted and the actual expenditure of the Sabha for the year under review and the preceding year together with the variance are given below.

Item of Expenditure	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent Expenditure</u>						
Personal Emoluments	18,958	15,949	3,009	18,958	15,242	3,716
Others	10,714	11,418	(704)	10,714	9,183	1,531
Sub-total	29,672	27,367	2,305	29,672	24,425	5,247
Capital Expenditure	37,283	27,576	9,707	37,283	30,923	6,360
Grand Total	66,955	54,943	12,012	66,955	55,348	11,607

2:4 Human Resources Management

2.4.1 Approved and Actual Cadre

Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

Category of Posts -----	Approved -----	Actual -----
Staff	01	-
Secondary	20	16
Primary	45	26
Other (Casual/Temporary)	-	21

- (a) Even though the cost of staff for the year under review amounted to Rs.15,949,626 a sum of Rs.15,594,000 only had been reimbursed by the Commissioner of Local Government. Thus the difference of Rs.355,626 had become an additional expenditure to the Sabha.
- (b) According to the Management Services Circulars No.14 dated 03 January 2002 and No.28 dated 10 April 2006 of the Secretary to the Treasury, the recruitment of employees by Local Authorities under the casual, temporary, substitute and contract basis had been suspended. Contrary to such stipulation, 21 employees had been recruited and a sum of Rs.1,978,619 had been paid out of the Sabha Fund in the year under review as their salaries. If recruitment had been made surpassing the instructions of these circulars, it had been emphasized that the Head of the institution is personally responsible in that connection.

2:5 Assets Management

Staff Loans Recoverable

The balance of Staff loans and advances older than one year as at the end of the year under review totaled Rs.3,215,269.

2:6 Operating Inefficiencies

The following matters were observed.

- 2:6:1 Even though a sum of Rs.798,000 had been paid as the Members' allowance to 13 members of the Sabha in the year under review only 05 members had attended each of the 12 meetings of the Sabha.
- 2:6:2 Even though 22 works proposals costing Rs.1,750,000 had been approved by the budget for the year 2010, those works proposals had not been implemented while 13 other proposals of the members only had been implemented. Even though a sum of Rs.140,000 had been received for 03 construction works under the Provincial Council Plan, those works had not been executed.
- 2:6:3 Action had not been taken for the recovery of a sum of Rs.13,713 being the value of 116 books borrowed by the readers of the three libraries of the Sabha and remaining without being returned.
- 2:6:4 The extent of the land bearing Lot No.154 appearing in the last village map No.179 of the area of authority of the Sabha named Kapitangoda watta 03 roods 18 perches in extent valued at Rs.166,800 had been recorded in the Register of Lands and Buildings as 03 perches.

A site inspection carried out on 28 October 2011 revealed that a two storeyed building had been constructed, contrary to the terms and conditions of the agreement, on the land leased out on monthly lease rental basis on 31 July 2007.

2.7 Unauthorized Constructions

The following matters were observed.

- (i) Even though 25 reports on unauthorized construction had been received by the Sabha from the year 2008 to the year 2010 no legal action whatsoever had been taken other than issuing a notice on unauthorized construction to the parties concerned.
- (ii) A site inspection carried out 28 October 2011 revealed that a business is run in a building without a certificate of conformity constructed under Building Application No.BA/76/2007 for the construction of a building with floor space of 143.85 square metres at No.23 Aluthpara, Akuressa for which the conditions issued on 13 March 2008 had not been complied with.
- Even though this building should be situated 40 feet from the mid line of the street, physically it was situated 32 feet from the mid line of the street and the building plan had been erased and altered.
 - It was observed at the site inspection carried out on 28 October 2011 that the vehicle parking space in the ground floor as specified in the Notification of the Urban Development Authority published in the Gazettes No.392/9 of 10 March 1986 and No.1597/8 of 17 April 2009 had not been provided for and that the charges amounting to Rs.500,000 had also not been recovered.

- (iii) Changes amounting to Rs.935,140 recoverable on the grant of covering approval for 05 business purpose building constructed without due authority in terms of paragraph 6(ii) of the Notification of the Urban Development Authority in the Gazette No.1597/8 of 17 April 2009 had not been recovered.

2:8 Internal Audit

An adequate internal audit of the Sabha had not been carried out.

3. Systems and Controls

Special attention of the Sabha is drawn to the following areas of systems and control.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management