

Damana Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 02 May 2014 and the financial statements for the preceding year had been presented on 31 July 2013 and the report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 06 January 2015.

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 Damana Pradeshiya Sabha as at 31 December 2013 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 Non- compliance with Sri Lanka Public Sector Accounting Standards

The financial statements had not been prepared in accordance with the Sri Lanka Public Sector Accounting Standards in terms of Circular No. PL/05/BA/ මූලරාඡ්‍යය of 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) Even though the arrears of trade licence revenue as at 31 December of the year under review amounted to Rs. 101,850 according to the Trade Licence Register, it had been taken to the Balance Sheet as Rs. 100,450. As such, the arrears of trade licence revenue had been understated by Rs. 1,400.
- (b) The closing arrears of revenue of stamp fees of the year under review had been overstated by Rs. 196,850 in the Balance Sheet due to failure in taking an opening balance of the arrears of stamp fees account accurately.
- (c) Even though the value of tender deposits and other deposits shown in the income ledgers as deposits for revenue amounted to Rs. 139,978, it had been taken as Rs. 130,024 to the Balance Sheet.
- (d) Even though the arrears of revenue of stall rent as at 31 December of the year under review amounted to Rs. 414,362 according to the income ledger, it had been shown as Rs. 381,219 in the financial statements by understating Rs. 33,143.
- (e) Even though the contributions payable as at 31 December of the year under review for the Employees' Trust Fund and the Employees' Provident Fund amounted to Rs. 16,934, it had been shown as Rs. 198,029 in the financial statements by overstating Rs. 181,095.
- (f) Even though the arrears of revenue of acreage tax as at 31 December of the year under review amounted to Rs. 869,760, it had been shown as Rs. 702,610 in the financial statements. As such, the revenue of acreage tax of the year under review had been understated by Rs. 167,150 in the financial statements.

(g) Accrued expenditure by 31 December of the following year amounting to Rs. 26,756 necessary for services requiring contacts for transport and other services had not been brought to account.

1.3.3 Lack of Evidence for Audit

The evidence shown against the following items of accounts had not been made available to audit. As such, those values could not be satisfactorily vouched or examined in audit.

Item	Value	Evidence not made available
-----	-----	-----
	Rs.	
Repair of dilapidated buildings	62,467	Details of repairing expenditure
Outstanding acreage tax	702,610	Register of Outstanding Acreage Tax

1.3.4 Accounts Payable

Even though the amount payable to the Local Government Services Widows' and Orphans' Pension by 31 December 2013 amounted to Rs. 111,721 , actions necessary for payment of this amount had not been taken.

1.3.5 Non –compliances with Laws, Rules, Regulations and Management Decisions

The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to laws, rules, regulations etc.

Non- compliance

Pradeshiya Sabha Rules

(i)Rule 33

The rates clerk had not prepared a list at the end of each quarter on persons who evade paying rates and submitted for the signature of the Chairman.

(ii)Rules 59 - 66

Even though action should be taken to identify institutions from which industrial tax should be recovered by conducting an inquiry in the area by an officer authorized by the Revenue Inspector or the Chairman, it had not been so done.

(iii)Rule 153

A statement of arrears of revenue had not been maintained in terms of Form P.S.07.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha as at 31 December 2013 was Rs. 201,337 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.188,145 thus indicating an improvement of Rs. 13,192 in the financial result.

2.2 Revenue Administration

2.2.1 Court Fines and Stamp Fees

The stamp fees due from the Registrar General and the court fines due from the Chief Secretary of the Eastern Provincial Council as at 31 December 2013 amounted to Rs. 1,295,200 and Rs.249,483 respectively and action had not been taken to recover that amount.

3. Operating Review

3.1 Operating Inefficiencies

The following operating inefficiencies were observed.

- (a) The building constructed to classify garbage within the area of the Sabha by incurring a sum of Rs. 3,811,016 remained unused on 20 April 2013.

- (b) The maintenance of Registers had been at a weak level due to failure in showing the cost of lands and buildings and donations in the Register of Fixed Assets, bringing forward the opening balances of the Deposits Register with details, incompleteness of the columns relating to Permit Number, Annual Fee and overcharges and total of the Trade Licence Register and improper maintenance of the General Ledger.

3.2 Management Inefficiencies

The following management inefficiencies were observed.

- (a) An interest on fines amounting to Rs. 120,303 has to be paid due to failure in paying a loan during a long period, obtained from the Domestic Loan and Development Fund.
- (b) A loan amounting to Rs. 1,950,000 had been obtained by the Sabha from the Domestic Loan and Development Fund and a sum of Rs. 1,562,898 is payable as at 31 December 2013 as outstanding loans of Rs. 1,164,785 and outstanding loan interest of Rs. 398,113 due to non-payment of interest and instalments relating to that loan amount in the second quarter of 2006.
- (c) Even though stamp fees should be sent quarterly to the Department of Inland Revenue, stamp fees amounting to Rs. 35,152 and Rs. 69,674 for the years 2012 and 2013 respectively had not been sent to the Department of Inland Revenue.

4. Accountability and Good Governance

4.1 Budgetary Control

A variance ranging from 20 per cent to 100 per cent was observed between the budgeted and the actual expenditure in the year under review thus observing that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a) Recovery of Acreage Tax
- (b) Revenue Debtors
- (c) Maintenance of Registers

