

Sammanthurai Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 23 May 2014 while Financial Statements relating to the preceding year had been submitted on 17 June 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 24 December 2014.

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 Sammanthurai Pradeshiya Sabha 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

Financial Statements had not been prepared according to Public Sector Accounting Standards of Sri Lanka as per Circular No.PL/05/PA/SFPSAS dated 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Provision for Audit Fees Payable for the year under review amounting to Rs.11,500 had not been made in the accounts.

- (b) Provision for Electricity Charges, Water Charges and Telephone Charges Payable for the year under review totalling Rs.65,925 had not been made in the accounts.
- (c) The value of Electrical Equipment Stock amounting to Rs.152,345 as at 31 December 2013 had not been taken to accounts.
- (d) Value of 13 Office Equipment received as a donation from the UNOPS Institution during the year under review had not been assessed and taken to accounts.
- (e) The value of 573 Library Books amounting to Rs. 93,231 provided by various individuals during the year under review had not been taken to accounts.
- (f) Although the Petty Cash Imprest of Rs. 10,000 provided to an officer had been paid back by him, it had not been credited to the Petty Cash Imprest Account. Due to that, the balance of the Petty Cash Imprest Account had been overstated to that extent.
- (g) The value of the stock of misplaced electrical equipment amounting to Rs.95,670 during the year 2005 had been shown in the accounting statements at the end of the year under review.
- (h) Although the revenue from sale of applications for change of ownership was Rs. 30,100 according to the Ledger, it had been shown as Rs. 153,818 in the accounting statements overstating that revenue in a sum of Rs. 123,718.
- (i) Although the balance of the Bowser Service Charges Revenue Account was Rs.151,900 according to the Ledger, it had been overstated in a sum of Rs.30,404 in the financial statements.

1.3.3 Suspense Account

Although a sum of Rs. 6,210 had been shown as balance of the Suspense Account since the year 2005 to end of the year under review, action had not been taken to identify and settle it.

1.3.4 Accounts Receivable and Payable

Action had not been taken up to 30 July 2014 to recover the loan balance of Rs.512,076 outstanding to be recovered from 28 officers.

1.3.5 Lack of Evidence for Audit

Evidence shown in front of following items in the financial statements had not been furnished to audit.

Item	Value	Evidence not Furnished
-----	-----	-----
	Rs.	
Land and Buildings	10,430,028	} Fixed Assets Registers, Detailed Schedules relating to Assets and Boards of Survey Reports Detailed Schedules, Advance Registers and Vouchers
Equipment and Machinery	1,269,343	
Library Books	749,992	
Office Equipment	114,240	
Un-settled Advance	585,242	

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.17,964,998 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.3,653,917 indicating an improvement of Rs.14,311,081 in the financial results.

2.2 Revenue Administration

2.2.1 Rates and Taxes

Following observations are made.

- (a) Out of Rates totalling Rs.6,342,445 to be recovered on the basis of lands, houses and buildings constructed in the area of authority of the Sabha, in terms of Sections 134 of the Pradeshiya Sabha Act No. 15 of 1987 for the period from the year 2005 to the end of the year 2012, a sum of Rs.1,800,046 being 28% only had been recovered during the year under review.
- (b) Out of Rates amounting to Rs. 3,887,719 estimated to be recovered for the year under review according to the Budget for the year under review a sum of Rs.505,403 being 13% only had been recovered.

2.2.2 License Fees

Action had not been taken up to the end of the year under review to recover License Fees amounting to Rs.142,669 to be recovered for the period from the year 2003 to the end of the year 2005.

2.2.3 Other Revenue

Following observations are made.

- (a) Action had not been taken up to 10 July 2014 to recover charges amounting to Rs. 279,990 for 27 Publicity Advisement Boards placed by private institutions for advertising their trading goods in the area of authority of the Sabha in terms of Sub-sections (vii) (8) and (xxx) of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987 and the Gazette Notification No. 1644 dated 05 March 2010 of the Democratic Socialist Republic of Sri Lanka.
- (b) Action had not been taken up to 10 July 2014 to recover charges for the period from the year 2009 to 2013 amounting to Rs.410,000 for 05 Telecommunication Towers erected in the area of authority of the Sabha in terms of the Gazette Notification No. 1644 dated 05 March 2010 of the Democratic Socialist Republic of Sri Lanka.
- (c) Action had not been taken up to the end of the year under review to recover Beef Stalls Lease Rent in arrears amounting to Rs.12,239,621 relevant to the period from the year 2003 to 2012.
- (d) Action had not been taken to up to the end of the year under review to recover the sum of Rs.1,813,278 in arrears from the years 2005 to 2012 due from lessees of the Public Market.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a) Value added Tax and Withholding Tax totaling Rs. 53,874 shown in the Deposits Account during the period from the year 2008 to the year 2012 had been transferred to the Revenue Account without being remitted to the Commissioner General of Inland Revenue.
- (b) Employees Provident Fund Contributions of Rs. 62,768 recovered during the period from the year 2006 to the year 2007 had been transferred to the Revenue Account without being remitted to the Provident Fund.

3.2 Idle Assets

Following observations are made.

- (a) Out of the 42 stalls in the Public Market Complex, 12 stalls had not been used for nearly one year, without action being taken lease out.
- (b) Walaththapitiya Fair Building and Stalls connected with that and Malwatta Fair Building had not been used for nearly 08 months without action being taken to lease out.

3.3 Contracts Administration

While a sum of Rs. 347,217 had been claimed by the contractor according to the bill submitted by the contractor for 04 works completed after repairing the Malwatta Fair Building during the year under review, under Deyata Kirula Programme, a sum of Rs.429,587 had been paid. Accordingly a sum of Rs. 82,370 had been overpaid.

4. Accountability and Good Governance

4.1 Internal Audit

Although it had been stated that, each Local Authority should establish an Internal Audit Section according to their capacity, vide clause 8 in Local Government Restructure Circular No. 3 dated 08 November 2005 of the Ministry of Provincial Councils and Local Government, an Internal Audit Section had not been established.

5. Systems and Controls

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

- (a) Accounting
- (b) Contracts Control
- (c) Fixed Assets Control
- (d) Revenue Administration
- (e) Contracts Control
- (f) Budgetary Control
- (g) Maintenance of Street Lamps