

Uhana 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 03 July 2014 and the financial statements for the preceding year had been presented on 04 April 2013. 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 Uhana 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

(a) The financial statements had not been prepared in accordance with Sri Lanka Public Sector Accounting Standards in terms of Circular No. PL/05/BA/ ශ්‍රී ලංකා ප්‍රදේශීය මහජන සේවා කමිටුවේ 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 employees loans amounted to Rs.290,401 as at 31 December of the year under review according to the Register of Employees Loans, it had been shown as Rs.359,959 in the financial statements by overstating Rs.69,558 .
- (b) Even though the arrears of revenue of rates amounted to Rs.3,388,928 as at 31 December of the year under review according to the Register of Rates, it had been shown as Rs.2,056,490 in the financial statements by understating Rs.1,332,438.
- (c) Even though the arrears of revenue of stall rents amounted to Rs.80,073 as at 31 December of the year under review according to the Register of Stall Rents, it had been shown as Rs.186,839 in the financial statements by overstating Rs.106,766.
- (d) Even though arrears of revenue of stamp fees amounted to Rs.1,566,803 as at 31 December of the year under review according to the information presented, this value had not been shown in the financial statements.
- (e) Even though the revenue of court fines amounted to Rs.1,420,583 as at 31 December of the year under review according to the information presented, it had been shown as Rs.1,429,435 by overstating Rs.8,852 in the Income and Expenditure Account.
- (f) Even though the balance according to the Register of Advances amounted to Rs.2,891,695 as at 31 December of the year under review, it had been shown as Rs.6,308,004 in the financial statements by overstating Rs.3,416,305.
- (g) Even though the revenue of rents under the Public Utilities Programmes (Programme No. 5) amounted to Rs.1,405,216 as at 31 December of the year under review, it had been shown as Rs.1,536,764 by overstating Rs.131,548.

- (h) The expenses in the nature of recurrent of purchase of spare parts amounting to Rs.461,270 relating to machineries of the year under review, had been shown as fixed assets.

1.3.3 Accounts Payable

Salaries payable amounting to Rs.34,065 and stamp fees payable amounting to Rs.588,900 had been shown as current liabilities in the financial statements for many years without taking action to settle or eliminate them from books.

1.3.4 Lack of Evidence for Audit

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

<u>Item</u>	<u>Value</u>	<u>Registers not made available to audit</u>
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	Rs.	
Sundry Creditors	54,358	Register of Creditors
General Supplying Creditors	28,870	Letters of Confirmation of Balances

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

According to Rule 153 of the Pradeshiya Sabha Rules, a statement on arrears of revenue had not been maintained in terms of the Form P.S.07 by the Pradeshiya Sabha.

2 Financial Review

2.1 Financial Result

According to the Income and Expenditure Account presented, the financial result of the operations of the Pradeshiya Sabha was a revenue of Rs.1,209,426 exceeding the recurrent expenditure for the year ended 31 December 2013 as compared with the corresponding revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.1,463,414, thus indicating a deterioration of Rs.253,988 in the financial result.

2.2 Revenue Administration

2.2.1 Stamp Fees

Stamp fees due from the Registrar General as at 31 December 2013 amounted to Rs.1,566,803 and no action had been taken to recover those amounts.

2.2.2 Industrial Tax

Action had not been taken to conduct a survey and identify the industries from which the industrial tax should be recovered and to recover them within the area of Sabha.

3. Operating Review

3.1 Management Inefficiencies

The number of misplaced books of which the value was unidentified, in libraries maintained in the Head Office and the Sub Office for several years was 364. Further, books valued at Rs.3,700 had not been returned to the library by the readers for several

years and no action whatsoever had been taken to make reminders thereon even by 21 July 2013, the date of audit.

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, thus it was observed that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

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

- (a) Accounting
- (b) Fixed Assets Control
- (c) Library Books Control
- (d) Recovery of Arrears of Revenue
- (e) Maintenance of Registers