

## **Ampara Urban Council**

### **Ampara District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 10 April 2015 while the Auditor General's Report relating to the year under review was sent to the Secretary of the Council on 06 August 2015.

##### **1.2 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 Ampara Urban Council as at 31 December 2014 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 Accounting Deficiencies**

Following accounting deficiencies are observed.

- (a) Although the Refundable Deposits for the Stalls Rent had been paid back and finalized according to the ledger, a sum of Rs.102,151 had been shown as Refundable Deposits in the Balance Sheet as at the date of end of the year under review. Due to that, the value of Refundable deposits had been overstated in a sum of Rs.102,151 in the Balance Sheet.
- (b) Although the Stamp Fees Revenue according to the ledger was Rs.523,000, a sum of Rs.351,787 had been taken to the Revenue and Expenditure Account. Accordingly, revenue had been understated in a sum of Rs.171,213 in the Revenue and Expenditure Account.
- (c) Although the value of stock in stores as at 31 December of the year under review according to the ledger was Rs.1,530,782, Stock in hand as at that had been shown as Rs.4,416,625 in the Balance Sheet.

- (d) Although the total of Other Revenue as at the date of end of the year under review had been recorded as Rs.10,769,753 in the schedule, it had been recorded as Rs.10,935,968 in the Revenue and Expenditure account overstating in a sum of Rs.166,215.
- (e) Although a sum of Rs.3,778,481 had been shown as Staff Loans in the Balance Sheet as at the end of the date of the year under review, loan balances amounting to Rs.235,150 relevant to 05 employees had not been included in that balance. Due to that, Staff Loans balance had been understated in a sum of Rs.235,150 in the Balance Sheet.

**1.3.2 Lack of Evidence for Audit**

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- (a) Deposit Certificates for Fixed Deposits amounting to Rs.25,000 were not submitted to audit.
- (b) Although a credit balance of Rs.1,599,391 in the Suspense Account had been shown in the Balance sheet for the preceding year that Suspense Account was not shown in the year under review. Journal Entries relating to removal of that balance was not submitted to audit.

**1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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Following non-compliances with Laws, Rules and Regulations were observed.

Reference to Laws, Rules and Regulations Etc., -----	Non-compliance -----
(a) Stamp Duties Special Provisions Act No. 12 of 2006	Action had not been taken to remit Stamp Duties amounting to Rs.6,620 as at 31 December 2014 to the Commissioner General of Inland Revenue.
(b) Financial Regulations of Republic of Sri Lanka ----- Financial Regulation 757 (2)	Board of Survey Report relevant to the year under review had not been submitted to the Auditor General.

## 2. Financial Review

### 2.1 Financial Results

According to the accounts presented, excess of recurrent expenditure over revenue of the Council for the year ended 31 December 2014 had been Rs.837,616 as compared with the corresponding excess of recurrent expenditure over revenue amounted to Rs.411,022 in the preceding year. Accordingly, a decline of Rs.426,594 in the financial results is indicated.

### 2.2 Analytical Financial Review

Observations relating to financial results for the year under review and the preceding year are given below.

- (a) While an improvement in a range from 25 per cent to 66 percent was reflected with regard to Rates, Other Revenue and Revenue Grants during the year under review when compared with the preceding year, a decline in a range from 11.5 per cent to 30 per cent was observed with regard to Fees for Services, Warrant Charges and Fines in the analysis of recurrent revenue.
- (b) An increase in a range from 41 percent to 299 per cent is reflected with regard to Salaries and Allowances and expenditure on Repairs to Capital Assets

### 2.3 Revenue Administration

#### 2.3.1 Performance in Revenue Collection

Information relating to Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

Item of Revenue	Actual Revenue	Accumulated Arrears as at 31December
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	Rs.000	Rs. 000
(i) Rates and Taxes	9,826	19,021
(ii) Rent	5,244	259
(iii) License Fees	1,642	981
(iv) Fees for Services	2,989	--
(v) Warrant Charges and Fines	1,008	200
(vi) Other Revenue	10,935	321

## 3. Operational Review

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**3.1 Management Inefficiencies**  
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Following matters are observed.

- (a) Although the sum of Rs.477,500 accumulated relevant to the years 2012, 2013 and 2014 in the Rest House and the Liquor Shop belong to the Council is an amount payable to the officers serving in the Liquor Shop, it had been kept in the Deposits Account, since the year 2012 without being paid to those officers.
- (b) While a sum of Rs.219,000 had been kept in the Deposits Account relevant to the years 2011 and 2012, action in terms of Financial Regulation 571 of the Republic of Sri Lanka had not been taken with regard to these monies.

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**3.2 Operational Inefficiencies**  
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Following matters are observed.

- (a) Although Emission Test Certificates and Revenue Licenses should be obtained for vehicles, Revenue Licenses had not been obtained for the entire 30 vehicles belong to the Council.
- (b) Although Insurance Certificates should be obtained for vehicles, Insurance Certificates for the year 2014 had not been obtained for 11 vehicles belong to the Council.
- (c) While a loan of Rs.5,455,994 had been obtained from the Local Loans and Development Fund by the Ampara Urban Council, interest and installments relevant to that loan had not been paid and therefore an arrears interest amounting to Rs.884,945 had to be paid for the loan amount of Rs.678,348 in arrears.
- (d) Value Added Tax to be remitted as installments to the Department of Inland Revenue had not been remitted since the year 2009 and a sum of Rs.3,087,182 had been held in a bank account as at the end of the year under review.

**4. Accountability and Good Governance**  
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**4.1 Budgetary Control**  
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There were variations between the budget and the actual expenditure for the year under review in range from 01 per cent to 16692 per cent and therefore the Budget had not been made use of as an effective tool of financial management.

**5. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management.