

Damana Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 02 April 2015 while the Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha 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 Damana Pradeshiya Sabha 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 there was an adequate stock in the stores of which value could be computed, value of that stock had not been computed and taken to the Balance Sheet as at 31 December 2014.
- (b) Although the warrant charges revenue for the year under review according to the ledger was Rs.38,548, it had been taken to the Revenue and Expenditure Account as Rs.26, 448. Due to that, revenue for the year under review had been understated in sum of Rs.12,100.
- (c) Land and Buildings, of which value had been shown according to the ledger, had been taken as Rs.196,675 to the Balance Sheet.

1.3.2 Lack of Evidence for Audit

Required information relating to 2 items of accounts totalling Rs. 293,319 were not submitted to audit.

1.3.3 Non-compliance with Laws, Rules and Regulations etc.

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

Reference to Laws, Rules and Regulations -----	Non-compliance -----
(a) Pradeshiya Sabha Act No. 15 of 1987 ----- Section 150 (4)	In instances of defaulting payment of License Fees, action had not been taken to recover those arrears.
(b) Pradeshiya Sabha (Financial and Administrative) Rules ----- (i) Rule 33	A list of individuals defaulting payment of Rates had not been prepared at the end of each quarter and submitted for signature of the Chairman by the Rates Clerk.
(ii) Rules 59 – 66	Action had not been taken to identify the Institutions liable to pay Industrial Tax and recover those taxes.
(iii) Rule 153	A Statement of Revenue in Arrears had not been prepared in Form P.S. 07.
(c) Financial Regulations of Republic of Sri Lanka ----- (i) Financial Regulation 571	Action in terms of Financial Regulation had not been taken with regard to Lapsed Deposits outstanding for more than 03 years totalling Rs. 1,638,496.
(ii) Financial Regulation 756	Annual Board of Survey Report had not been submitted to the Auditor General.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.379,644 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.201,337. Accordingly, an improvement of Rs.178,307 was indicated in the financial result. .

2.2 Analytical Financial Review

A review of financial results for the year under review and the preceding year is given below.

- (a) When recurrent revenue for the year under review is analyzed with that for the preceding year, sources from Rates and Taxes, Fees for Services, Warrant Charges and Fines indicate an increase in a range from 17 per cent to 51 per cent while sources from Lease Rent Revenue, License Fees and Other Revenue indicate a decrease in a range from 17 per cent to 46 per cent.
- (b) When recurrent expenditure for the year under review is compared with that for the preceding year, Travelling Expenditure, Transport, Communication, Utility and Other Services, Grants and, Contributions and Subsidies expenditure indicate a decrease in a range from 7 percent to 85 percent while Salaries and Allowances indicate an increase in a range of 75 percent.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

- (a) Revenue Estimates had not been prepared as the Sabha had not approved a Budget for the year 2014.
- (c) Any legal step had not been taken in order to recover accumulated arrears of revenue amounting to Rs.2,254,331 receivable to the Sabha as at 31 December 2014.

2.3.2 Court Fines and Stamp Fees

- (a) Action had not been taken to recover Court Fines amounting to Rs. 179,283 as at 31 December 2014 from the Chief Secretary to the Eastern Provincial Council.

- (b) Action had not been taken to recover Stamp Fees amounting to Rs. 264,700 as at 31 December 2014 from the Registrar General.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) While a loan of Rs.1,960,000 had been obtained from the Local Loans and Development Fund by the Sabha, interest relevant to that loan and loan installments had not been paid since the second quarter of the year 2006. Due to that, a sum of Rs.1,738,770 was outstanding to be paid as loan installments in arrears amounting to Rs.1,326,044 and as loan interest in arrears amounting to Rs.412,726 as at 31 December 2014.
- (b) Although Stamp Duties should be remitted to the Commissioner General of Inland Revenue on quarterly basis, a sum of Rs.130,024 payable as at 31 December 2014 had been held in hand without making remittance, even as at 08 April 2014, date of audit.
- (c) Action had not been taken to settle since the year 2013 up to now, to settle a sum of Rs.18,850 shown under Creditors as at 31 December of the year under review and a sum of Rs. payable for the purchase of metal amounting to Rs.345,000.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) It was not possible carry out any audit work relating to staff loans, as any letters or files were not available in the custody of officers assigned with duties relevant to staff loans granted by the Sabha up to now.
- (b) While any course of action had not been taken with regard to 2912 books misplaced belong to 04 libraries of the Sabha, necessary action had not been taken to get back 341 books issued to be taken away to the members .

3.3 Project Delays

It had not been able to commence work before the date of expiry of the validity period of provisions on 31 August 2014 Relating to 05 Projects for which provisions amounting to Rs.2,500,000 had been made through the Ministry of Highways, Ports and Navigation and therefore the validity period had been extended up to 30 November 2014. However, work had not been commenced even up to 30 January 2015, date of audit.

4. Systems and Controls

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

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