

Mahaoya 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 08 May 2015 While Auditor General's Report for the year under review was sent to the Chairman 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 Mahaoya 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 a value of Rs. 5,029,183 had been shown for Fixed Asses as at 31 December of the year under review, any balance had not been shown according to the ledger.
- (b) While the total of Other Revenue as at 31 December of the year under review according to the ledger was Rs. 328,368, it had been shown as Rs. 345,983 in the Revenue and expenditure Account, overstating in a sum of Rs 17,615.
- (c) While the total of Stamp Fees in arrears as at 31 December of the year under review according to the ledger was Rs. 286,600, it had been shown as Rs. 127,363 in the Balance Sheet understating in a sum of Rs 159,237.
- (d) While the total of Other Grants for the year under review according to the ledger was Rs. 7,576,696, it had been shown as Rs. 7,624,909 in the Revenue and expenditure Account, overstating in a sum of Rs 48,213.

- (e) While the License Fees Revenue for the year under review was Rs. 408,650, it had been shown as Rs. 420,800 in the Revenue and expenditure Account, overstating in a sum of Rs 12,150.
- (f) While the Rent Income for the year under review according to the ledger was Rs. 4,127,500, it had been shown as Rs. 4,124,500 in the Revenue and expenditure Account, understating in a sum of Rs 3,000.

1.3.2 Lack of Evidence for Audit

The Register of Fixed Assets and the Board of Survey Reports for Fixed Assets valued at Rs.22,459,274 had not been furnished to audit.

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

Following instances of non-compliance with Laws, Rules, and Regulations are observed.

Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----
(a) Stamp Fees Special Provisions Act No. 12 of 2006.	Action had not been taken to remit Stamp Duty amounting to Rs. 88,925 as at 31 December 2014.
(b) Pradeshiya Sabha Rules Series. Rule 153	A Statement of Arrears of Revenue had not been prepared in the Form PS 07.
(c) Financial Regulation 757 (2) of the Republic of Sri Lanka	Annual Board of Survey Report had not been presented 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. 1,765,286 as compared with the corresponding excess of revenue over recurrent expenditure revenue for the preceding year amounted to Rs.1,103,267. Accordingly an improvement of Rs. 662,019 was indicted in the financial results.

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 compared with that for the preceding year, Rent Income, License Fees Revenue, Warrant Charges and Fines indicate an increase in a range from 16 per cent to 81 per cent while Charges for Services and Other Grants indicate a decrease in a range from 11 per cent to 27 per cent.
- (b) When recurrent expenditure for the year under review is compared with that for the preceding year, Salaries and Allowances, Travelling Expenditure, Supplies and Equipment, Repairs and Maintenance of Capital Assets and Subsidies and Pension benefits and gratuities expenditure, indicate an increase in a range from 9per cent to 95 per cent .

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated Revenue	Actual Revenue	Accumulated Arrears as at 31.12.2014
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	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,000	28,200	--
(ii) License Fees	459,000	4,124,500	--
(iii) Rent	3,254,370	420,800	637,675
(iv) Warrant Charges and Fines	309,000	1,479,708	53,166
(v) Other Revenue	9,903,336	1,479.708	---
(vi) Other Grants		345,983	358,863

2.3.2 Stamp Fees

Action had not taken to recover Stamp Fees Revenue amounting to Rs. 127,363 as at 31 December 2014 from the Registrar General.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) While there are 15 vehicles belong to the Sabha, 05 vehicles out of those are not used at present. Action had not been taken to repair those vehicles or other suitable course of action.
- (b) A loan balance of Rs. 22,259 due from 06 officers remaining unrecovered during a period ranging from 2 to 8 years was included in the Staff Loans in Arrears as at 31 December 2014. Any course of action had not been taken to recover this loan amount.
- (c) Action had not been taken even up to the end of the year under review to recover the sum of Rs.15,070 overpaid to the Welfare Association by the Chairman prior to the year 2012.
- (d) At the physical inspection carried out with regard to Inventories and Stores Items, it was observed that 03 Auto Level Mirrors had not been taken to the Inventory.

5. Systems and Controls

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

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