

Sammanthurai Pradeshiya Sabha
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 06 April 2016 and the Auditor General's Report relating to the year 2016 was issued to the Secretary of the Sabha on 12 October 2017.

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 financial position of the Sammanthurai Pradeshiya Sabha as at 31 December 2016 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 were observed.

- (a) Trade License Fee of Rs. 325,820 which had been recovered during the year under review had been shown as liabilities without taking as income.
- (b) Office furniture and equipment amounting to Rs. 70,270 relating to 67 types which were auctioned and destroyed during the year under review was not removed from the cost accounts.

1.3.2 Accounts Receivable and Payable

The electricity consumption Charges that is due to the Ceylon Electricity Board is Rs.3,232,958 and the receivables by the Ceylon Electricity Board amounting to Rs.3,462,663 have been shown continuously in financial statements for more than 22 years without taking action to recover and pay.

1.3.3 Lack of Evidence for Audit

Evidence indicated against the following each item of accounts had not been furnished to audit

Item	Value	Lack of Evidence
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	Rs.	
Buildings	10,430,029	} Fixed Assets Register
Motor Vehicles	1,359,230	
Furniture and Fittings	1,269,343	} Advance Register
Unsettled Advances	581,271	

1.3.4 Non-compliance with Laws, Rules and Regulations

Following instances of non-compliances with Laws, Rules and Regulations are observed in audit.

Reference to Laws, Rules and Regulations	Non-Compliance
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(a) Treasury Circular No IAI/2002/02 dated 28 November 2002.	Even though computers, computer accessories and computer software belonging to Sabha as at 31 December 2016 amounting to Rs.2,962,490, a separate register for document those had not been maintained
(b) <u>Financial Regulation of Democratic Socialist Republic of Sri Lanka</u>	
(i) Financial Regulation 104	Action had not been taken as per Financial Regulations regarding missing electrical equipment amounting to Rs. 95,670 in the year 2005 and missing camera valued to Rs. 35,000 in the year 2015.
(ii) Financial Regulation 371	Steps had not been taken by the Sabha regarding 02 unrealized cheques valued Rs. 2,220 which were exceeded 06 months.
(iii) Financial Regulation 571	Action had not been taken to give to the relevant persons or transfer to revenue of 129 lapsed deposits amounting to Rs. 2,316,515.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.4,556,592 as compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.11,011,557. As compared with the preceding year a deterioration of Rs.6,454,965 in the financial results for the year under review had indicated.

2.2 Revenue Administration

2.2.1 Rates and Taxes

According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, out of the rates and taxes totalled to Rs. 15,268,779 which should be recovered up to the end of the year under review on the lands and houses and buildings in the Pradeshiya Sabha area, only a sum of Rs.1,406,851 had been recovered during the year under review.

2.2.2 Trade License Fee

The recoverable trade license fee to be paid by the business owners as at 31 December 2016 totalled Rs. 33,396 had been remained arrear without recovering for a period of 12 years.

2.2.3 Charges from Advertising Bulletin Boards

In terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987 and the Gazette notification No. 1644 of 5 March 2010 of the Democratic Socialist Republic of Sri Lanka Act, steps had not been taken to recover charges amounting to Rs. 105,550 to be levied by private institutions relating to 40 Advertising Bulletin board in the Sabha area even by 25 September 2017.

2.2.4 Public Market Shop Rent

Following observations are made.

- (a) Eight shops out of 84 shops in public market built in the year 1999, have been idled from the date of construction until the 25 of July 2016.
- (b) The arrears rent of the public market stalls as at 31 December 2016 was Rs.1,489,176 and it was arrear for more than 4 years without recovering.
- (c) Even though according to a written statement to the audit, rent paid for the private retail outlets near the public market, ranged from Rs.6,000 to Rs. 20,000 per month, the Sabha lost nearly Rs .2,700,000 annually due to renting out these shops for rent ranging from Rs.585 to Rs. 3,335 per month without a new bidding process.

2.2.5 Leasing of Beef Stalls

Arrears lease rental from beef stalls amounting to Rs. 2,271,293 out of Rs. 5,537,053 as at 31 December 2016 had been remained more than 2 years without recovery.

3. Operational Review

3.1 Management Inefficiency

Following observations are made.

- (a) A sum of Rs. 38,500 had to be recovered from renting town hall in the year under review had not been recovered even as at 25 September 2017.
- (b) Even though the Annual Board of Survey recommended during the year under review to sale of 68 inventories, 21 items for repair, 21 items and 912 library books to destroy, but necessary action had not been taken even by 25 September 2017.

- (c) Action had not been taken even up to 25 September 2017 to transfer the ownership of 05 vehicles valued at Rs.57,695,000 given by the Ministry of Provincial Council and Local Government in the years 2014 and 2015 and 10 vehicles given by the Ministry of Public Administration and Local Government which have been using by the council.
- (d) Building rent to be paid by the "New East Bus Company" as at 31 December 2016 amounting to Rs. 113,763 had not been recovered for more than 03 years.
- (e) Loan amount of Rs. 55,053 given by the Pradeshiya Sabha for 08 employees who were transferred and suspended from their posts had been arrear from 01 year to 04 years without being recovering.

3.2 Local Program to Strengthen the Provincial Councils

It was estimated that a cube mix of 8.76 cubic meters of concrete and 50 square meters of timber required for the construction of culverts and payment had been made according to that. However, at the audit inspection, it was observed a 6.01 cubic meter concrete mix and a square 34 square meters of timber had been used. Accordingly, the Sabha had over paid a sum of Rs. 60,480.

4. System and Control

Special attention should be made on following systems and matters mentioned in front of that.

Control Area -----	Matters to be made Special Attention -----
(a) Fixed Assets Control	(i) Maintaining fixes assets register.
(b) Revenue Recovery Administration	(ii) Taking action to use idle assets. Taking action to recover arrears income..