

Sammanthurai Pradeshiya Sabha
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 02 May 2018 and the Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 19 October 2018.

1.2 Qualified Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of financial position of the Sammanthurai Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended.

1.3 Comments on the Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) The cost of 37 types of office furniture, equipment and library books that had been sold and destroyed at auction for Rs.53,688 as of the Annual Board of Survey Report was not deducted from the accounts.
- (b) The value of 672 books amounting to Rs.476,155 donated to the libraries of the Sabha in the year under review by the Asia Foundation, social institutions and others were not accounted for.
- (c) A sum of Rs.5,170,258 relating to Stamp Duty, Interest Income and Salary Refunds, which were directly received to the bank account of the Sabha for the year under review, were recognized as unrecognized deposits and due to that income for the year and the cash in hand had been understated from that amount.
- (d) In terms of the 'k' format of valuation charges, the 10% discount given to the taxpayers who paid the entire amount of the tax for the year prior to 31 January was not entered in the accounts, due to that the cumulative funds and arrears rates and taxes had been overstated.
- (e) Though the market value of 5 vehicles given to the Pradeshiya Sabha in the years 2014 and 2015 by the Ministry of Local Government and Provincial Councils was Rs. 61,003,982, as per the financial statements this amount was stated as Rs. 57,695,000, due to this the value of fixed assets and accumulated funds had been understated by 3,308,982.

1.3.2 Unreconciled Control Accounts

According to the financial statements for the year under review, the following differences were found between the balance of recovering rates and tax and the related registers.

Recovery of Rates and Taxes	According to the financial statements	According to the rates and tax register	Difference
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	Rs.	Rs.	Rs.
Balance as at 2017.01.01	11,749,647	16,305,780	4,556,133
Billed Revenue	3,887,719	4,329,858	442,139
Balance as at 2017.12.31	13,405,363	19,362,697	5,957,334

1.3.3 Accounts Receivables

Following observations are made.

- (a) The receivable amount of Rs. 229,705 from the Ceylon Electricity Board had been continuously reported in financial statements for over 23 years without been taking action to recover.
- (b) A sum of Rs. 580,277 which has to be settled in respect of advances has been presented in the financial statements continuously for over 14 years without any verifiable documents and without taking action to settle such advances.

1.3.4 Lack of Documentary Evidences

In respect of fixed assets shown in the Financial Statements for the year 2017 presented by the Sabha, detailed schedules of 9 subjects valued at Rs. 29,811,585 which was brought forward according to the year 2003 was not submitted to audit.

1.3.5 Non-compliance with the Laws, Rules, and Regulations

Following non-compliance with laws, rules, and regulations were observed in audit.

Reference to Laws, Rules, and Regulations	Value	Non-compliance
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	Rs.	
(a) Treasury Circular No. IAI/2002/02 dated 28 November 2002	3,535,155	A separate fixed asset register had not been maintained for computers, computer accessories and software in the Sabha.

- (b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka 815,729 Even though there were 107 deposits which are more than 2 years, the action had not taken to return it to the relevant persons or transfer it to the revenue accounts.

2. Financial Review

2.1 Financial Results

According to the financial statements presented the revenue over recurrent expenditure for the year ended 31 December 2017 amounted to Rs. 10,855,743 when comparing to the revenue over recurrent expenditure for the preceding year amounted to Rs. 4,556,592 and it shown an improvement of Rs. 6,299,150 in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Source	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	3,888	3,902	2,246	13,405	3,888	3,888	1,539	11,750
Rent	19,292	19,008	19,670	8,990	19,142	19,544	14,920	9,651
License Fees	900	1,231	1,231	-	800	800	833	-
Other Revenue	18,153	17,078	17,078	-	17,586	11,518	11,518	-

2.2.2 Performance of Revenue Collection

Out of the revenue receivable amount of Rs. 62,620,491 up to 31 December 2017 a sum of Rs. 40,225,328 had been recovered during the year under review. Accordingly, the revenue collection was 64 %.

2.2.3 Rates and Taxes

Out of the rates and tax amount of Rs.15,637,366 recoverable on land and built houses and buildings in the Pradeshiya Sabha area up to end of the year under review in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987, 14 per cent or Rs. 2,232,002 only recovered during the year under review.

2.2.4 Advertising Boards Charges

No action has been taken even by 14 September 2018 to recover the license fee of Rs.219,061 which should be recovered from 24 advertisement boards established by private institutions in the Sabha areas in the year under review.

2.2.5 Meat Stall Rental

The following deficiencies are observed with regard to leasing of meat shops operating in the Pradeshiya Sabha area.

- (a) Even though shops were leased by calling bids and selecting the lessee, the Sabha had not entered into agreements with the lessees as of 10 February 2018. As a result, it was found that the Sabha could not take legal action on the recovery of arrears of Rs.5,926,648 due by the end of the year under review.
- (b) According to paragraph 13 of the Bidding Notice, copies of the history document of the Assessment Register and its photocopies were not certified by a public notary had not been obtained to recover the charges from meat shop lessees without arrears.
- (c) The development officer in charge of the meat shops had not fulfilled the duties listed in the year under review such as entering to agreement with the lessees, obtaining guarantees, maintaining a tax recovery register and collecting arrears.

2.2.6 Leasing of General Market and Shop Rentals

General market leases and shop rentals amounting to Rs.3,055,860 had been in arrears by the end of the year under review without taking action to recover.

3. Operational Management

3.1 Management Inefficiencies

Following observations are made.

- (a) No action has been taken to acquire 12 vehicles used by the Council for more than 02 years, received from the Ministry of Provincial Councils and Local Government, Ministry of Public Administration and the Department of Local Government.
- (b) No action had been taken to transfer the ownership of 48 lands where the office buildings, public libraries, public markets, public playgrounds, public cemeteries, thorn grinding factory, children's parks, community centers and the slaughterhouse were established.

3.2 Human Resource Management

In the Labour post of the Pradeshiya Sabha, 59 employees serve as permanent positions and 60 workers are employed on temporary, casual and contract basis. However, due to the labourers of road working as watchmen and those who occupy the post of health workers are performing the duties of office workers, it was observed that the duties of the post recruited by these employees were not fully fulfilled

4. Accountability and Good Governance

4.1 Unresolved Audit Paragraphs

Following observations are made.

- (a) In terms of Financial Regulation 104, the reason for the loss was not identified and disciplinary action was not taken against those responsible relating to lost electrical equipment of Rs. 95,670 in 2005 and lost cameras of Rs. 35,000 in the year 2015.
- (b) According to the written evidence received to the audit regarding the renting of 84 stalls in the Hijrah Common Market of the Sabha which was built in the year 1999, although, the private shops close to this market are being rented for at least Rs. 6,000 to Rs. 20,000 per month, these stalls, which were owned by the Sabha, were rented in the range of Rs. 585 to Rs. 3,335 and due to this the Sabha was losing approximately Rs. 2,700,000 annually.

5. System and Control

Special attention is needed in respect of the following systems and matters mentioned against them.

Control Area	Matters to be made Attention
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(a) Fixed Assets Control	Maintaining fixed assets register.
(b) Income Administration	Taking action to recover arrears revenue.
(c) Solid Waste Management	Collecting separated solid wastes