

Ampara Urban Council

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 09 May 2014 and the financial statements for the preceding year had been presented on 08 May 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 06 January 2015.

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 the financial position of the Ampara Urban Council as at 31 December 2013 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

The financial statements had not been prepared in accordance with Sri Lanka Public Sector Accounting Standards in terms of Circular No.PL/05/BA/ ශ්‍රී ලංකා ප්‍රදේශීය මණ්ඩල සභා කොටස of 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2 Accounting Deficiencies

The following deficiencies are observed.

- (a) Even though the arrears of revenue of stall rents as at the end of the year under review had been Rs.286,341 according to the Register of Stall Rents, it had been shown as Rs.259,742 in the balance sheet by understating Rs.26,599.

- (b) The value of arrears of loan installments of Rs.210,817 payable to the Domestic Loans Development Fund as at the end of the year under review had not been shown under liabilities of the balance sheet.

- (c) Even though the creditors balance (general supplies) as at 31 December of the year under review amounted to Rs.1,860,592 according to the Creditors Ledger, it had been shown as Rs.362,127 in the balance sheet. As such, creditors had been understated by Rs.1,498,465.

- (d) Even though the revenue of stall rents of the year under review amounted to Rs.3,063,630 according to the Income Ledger, it had been brought to Income and Expenditure Account as Rs.3,236,266. As such, the revenue of stall rents had been overstated by Rs.172,636.

- (e) Even though the revenue of rates and taxes of the year under review amounted to Rs.8,958,133, it had been brought to the Income and Expenditure Account as Rs.7,046,434. As such, revenue of rates and taxes had been understated by Rs.1,911,696.

1.3.3 Lack of Evidence for Audit

Certificates of investments and the Register of Interests on Investments in respect of investments of Rs.80,306 had not been made available to audit.

1.3.4 Accounts Receivable and Payable

(a) Advances amounting to Rs.1,992,300 granted on 06 October 2013 for obtaining equipment to the Fitness Centre and making payments for equipment, had not been settled.

(b) No action had been taken to pay stamp duty of Rs.65,770 as at 31 December 2013 to the Department of Inland Revenue.

1.3.5 Suspense Accounts

A balance of Rs.5,450 had been shown in the Suspense Account as at 31 December 2013 and action had not been taken to settle it.

2 Financial Review

2.1 Financial Result

According to the financial statements presented, the recurrent expenditure exceeding the revenue of the Council for the year ended 31 December 2013 was Rs.411,022 as against the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.1,330,220, thus indicating a deterioration of Rs.1,741,242 in the financial result.

2.2 Revenue Administration

2.2.1 Court Fines and Stamp Fees

Court fines of Rs.184,333 from the Chief Secretary of the Eastern Provincial Council and stamp fees of Rs.900,155 from the Registrar General remained receivable as at 31 December 2013 and no action had been taken to recover those amounts.

3. Operating Review

3.1 Management Inefficiencies

The following operating inefficiencies were observed.

- (a) A loan amounting to Rs.5,455,994 had been obtained from the Domestic Loans and Development Fund by the Council and an interest of Rs.1,207,079 had to be paid for outstanding loan amount of Rs.3,471,269 as at 31 December 2013 due to non-payment of interest and installments relating to the loan.

- (b) The Value Added Tax (VAT) which should be sent in installments to the Department of Inland Revenue had not been remitted since the year 2009 and a sum of Rs.4,139,649 which should be sent in that manner by the end of the year under review had been retained in the Deposit Account.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 10 per cent to 107 per cent were observed between the budgeted and actual expenditure of the year under review and thus, it was observed that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

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

- (a) Accounting
- (b) Recovery of Revenue