

Namaloya 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 06 April 2015 while the Auditor General's Report relating to the year under review was sent to the Secretary of 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 Namaloya 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 Stamp Fees in arrears according to the Stamp Fees Register was Rs.346,204, a sum of Rs.254,204 had been shown as Stamp Fees in arrears as Rs.254,204 in the Balance Sheet as at 31 December of the year under review.
- (b) Although Trade License Charges in arrears as at 31 December of the year under review according to the ledger was Rs.19,900, it had not been shown in the Balance Sheet.

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

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

Reference to Laws, Rules and Regulations Etc.,	Non-compliance
(a) Pradeshiya Sabha Act No. 15 of 1987	
Section 150 (4)	Action in terms of provisions in the Pradeshiya Sabha Act had not been taken to recover Trade License Fees in arrears amounting to Rs.19,900 as at the end of the year under review.
(b) Pradeshiya Sabha (Financial and Administrative) Rules	
(i) Rule 62	Notices for payment of Industrial Tax had not been issued by the Secretary.
(ii) Rule 180	Securities had not been furnished by the three officers in charge of cash, stores and collection of revenue.
(c) Financial Regulations of Republic of Sri Lanka	
(i) Financial Regulation 757 (2)	Board of Survey Report relevant to the year under review had not been submitted to the Auditor General.
(ii) Financial Regulation 1647 (e)	A Register of Motor Vehicles had not been maintained.

2. Financial Review

2.1 Financial Results

According to the accounts presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 had been Rs.2, 648,618 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.406,615 in the preceding year. Accordingly, an improvement of Rs.2,242,003 in the financial results is indicated.

2.2 Analytical Financial Review

Observations relating to financial results for the year under review and the preceding year are given below.

- (a) While an improvement in a range from 25 per cent to 66 percent was reflected with regard to License Fees revenue, Lease Rent revenue and other revenue during the year under review when compared with the preceding year, a decline in a range from 12 per cent to 30 per cent was observed with regard to Fees for Services, Warrant Charges and Fines.
- (b) An increase in a range from 41 percent to 299 per cent is reflected with regard to Salaries and Allowances, Supplies and Equipment and Repairs to Capital Assets during the year under review when compared with the preceding year.

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 31December
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	Rs.000	Rs. 000	Rs.000
(iii) Rent		923	1,230 4
(iv) License Fees		381	315 -
(v) Fees for Services		85	59 -
(vi) Warrant Charges and Fines		708	691 111
(vii) Other Revenue		1,164	219 254

2.3.2 Stamp Fees

Action had not been taken to recover Stamp Fees amounting to Rs.346,204 from the Registrar General as at 31 December 2014.

3. Operational Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Necessary course of action had not been taken to get the ownership transferred of 05 vehicles provided to the Sabha from the Ministry of Local Government even up to 23 March 2015.
- (b) Environmental Permits had not been obtained for 36 rice mills operating in the area of authority of the Sabha.
- (c) Although the paying officer should find out whether own bank balance is adequate for all payments to be made by cheques in terms of Financial Regulation 139 of the Republic of Sri Lanka, cheques had been written in June 2014 creating a minus balance of Rs.706,252 in the cash book relevant to Nelship Account of the Sabha.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) Action had not been taken to recover a loan balance of Rs.39,988 due to be recovered since May 2007 from an officer who had been serving in the Sabha and left on transfer and a total sum of Rs.1,600 due from two officers since January 2011.
- (b) Action had not been taken to recover the sum of Rs.23,000 erroneously debited to a bank account during the year 2011 by the relevant bank, even as at 31 December of the year under review.
- (c) Although the loan of Rs.38,388 due from the Management Assistant Officer left on transfer to Dehiaththakandiya Zonal Education Office had been recovered by the Zonal Office from the relevant officer, action had not been taken to get that amount to the Sabha.

3.3 Under-utilized Assets

Documents required for registration of 05 un-registered vehicles provided to the Sabha from the Ministry of Local Government and Provincial Councils during the period between December 2014 and February 2015 had not been given to the Sabha from the Ministry even as at 12 March 2015. Due to that, those vehicles had been parked without being used.

4. Accountability and Good Governance

4.1 Budgetary Control

There were variations between the budget and the actual expenditure for the year under review in range from 20 per cent to 109 per cent and therefore It was observed that the Budget had not been made use of as an effective tool of financial management.

5. 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.