

Sammanthurai Pradeshiya Sabha

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 July 2015 and the financial statements for the preceding year had been presented on 23 May 2014. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 October 2015.

1.2 Qualified Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Sammanthurai 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 Policies

The accounting policies adopted in preparing the financial statements had not been disclosed.

1.3.2 Compliance with Sri Lanka Public Sector Accounting Standards

Although a cash flow statement should be furnished along with the financial statements in terms of Sri Lanka Accounting Standard No.2, a cash flow statement had not been furnished.

1.3.3 Accounting Deficiencies

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- (a) The value of 635 books donated by the Asia Foundation and the value of 318 books donated by the Assistant Commissioner of Local Government, Ampara and various persons to 04 libraries maintained by the Pradeshiya Sabha amounting to Rs.105,926 had not been included in the Assets Account.
 - (b) Electricity equipment valued at Rs.354,085 as at 31 December 2014 had not been included in the Assets Account.
 - (c) The advance of Rs.366,444 paid to the Karaitivu Pradeshiya Sabha with regard to Solid Waste Material Management had not been included in the Assets Account.

- (d) The sum of Rs.572,145 payable to the Karaitivu Prdeshiya Sabha for the months of July and August of the year under review with regard to Solid Waste Material Management had not been included in the Liabilities Account.
- (e) A stock of electricity equipment valued at Rs.95,670 had been misplaced during the year 2005. This had been shown as closing stock in the financial statements.
- (f) According to the ledger, the arrears of lease rent recoverable for the year under review amounted to Rs.628,406. However, this had been shown as Rs. 1,522,990 in the financial statements. As a result, the revenue due from lease of stalls had been overstated by Rs.894,584.
- (g) The retention money deducted from the payments made for the Pradeshiya Sabha building and the slaughter house building were Rs.96,317 and Rs.1,503,268 respectively. These had not been shown as arrears payable in the financial statements.

1.3.4 Suspense Account

A sum of Rs.6,210 had been continuously shown as a credit balance in the Suspense Account since the year 2005. However, necessary action had not been taken to identify and settle it.

1.3.5 Accounts Receivable and Payable

The following observations are made.

- (a) The arrears of lease rent due from meat stalls for the period 2003 to 2010 amounted to Rs.11,921,435. Action had not been taken to recover this upto end of the year under review.
- (b) The arrears recoverable from the lessees of stalls of the public market for the period 2005 to 2012 amounted to Rs.1,813,278. This had not been recovered upto end of the year under review.

1.3.6 Lack of Evidence for Audit

The evidence indicated against each of the following item shown in the financial statements had not been furnished for audit.

Item	Value	Evidence not Furnished
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	Rs.	
Land and Buildings	99,403,943	Register of fixed assets and title deeds.
Unsettled Advances	784,618	Register of advances.
Debtors	3,295,607	Letter of confirmation of balances and the register of debtors.
Arrears of meat stalls	14,176,939	Register of lease rent.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.783,743 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.17,964,998 showing a deterioration in financial results of the year under review amounting to Rs.10,779,861.

2.2 Revenue Administration

2.2.1 Performance in collection of Revenue

According to the information furnished by the Chairman, significant variances were observed between the estimated revenue and the actual revenue during to year under review.

Item of Revenue	Estimated Revenue	Revenue Recovered	Revenue not Recovered	Revenue not recovered, as a percentage of the estimated revenue
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	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	40,000,000	15,425,489	2,164,124	54
Lease Rent	13,800,000	10,698,337	3,101,663	22
Licence Fees	15,000	12	14,988	100
Solid Waste Material	2,500,000	348,069	2,115,931	85
Service Fees				
Stamp Fees	24,821,402	9,017,058	15,804,344	64

2.2.2 Rates and Taxes

The following observations are made.

- (a) The rates and taxes recoverable from land, constructed houses and buildings within the authoritative area of the Sabha from 2005 to end of 2013 under Section 134 of the Pradeshiya Sabha Act No.15 of 1987 aggregated Rs.7.922,708. Only 11 per cent of this amounting to Rs.872,688 had been recovered during the year under review.
- (b) The estimated recovery of rates and taxes as per budget of the year under review amounted to Rs.3,887,719. Only 13 per cent of this amounting to Rs.505,403 had been recovered.

2.2.3 Licence Fees

The licence fees due for the period 2003 to 2008 amounted to Rs.142,669. Action had not been taken to recover this upto end of the year under review.

2.2.4 Recovery of fees for Advertisement Boards

The licence fees recoverable on behalf of 13 advertisement boards exhibited by private enterprises for propagating their trade items within the authoritative area of the Sabha in terms of Sub sections (vii) (8) and (xxx) of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987 and the Gazette Extra Ordinary Notification No.1644 of 05 March 2010 of the Democratic Socialist Republic of Sri Lanka amounted to Rs.158,020. Action had not been taken to recover this upto 02 September 2015.

2.2.5 Recovery of Telecommunication Tower Fees

Action had not been taken to recover the licence fees of Rs.168,000 recoverable in terms of the Gazette Notification No.1644 of 05 March 2010 of the Democratic Socialist Republic of Sri Lanka on behalf of 03 telecommunication towers established within the authoritative area of the Sabha during the period 2009 to 2013

2.2.6 Court Fines and Stamp Fees

- (a) Action had not been taken to during the period concerned to compute and recover from the Chief Secretary of the Provincial Council the sum of Rs.296,082 due as at 31 December 2014 from the Magistrate's Court under various ordinances.
- (b) The stamp fees receivable for the period 2013 to end of the year under review amounted to Rs.1,903,023. Action had not been taken to recover this from the Registrar General.

3. Operating Review

3.1 Management Weaknesses

- (a) Certain statistics appearing in certain estimated figures furnished by the National Water Supply and Drainage Board for supply of water to the newly constructed slaughter house of the Sabha were wrong. As such, the estimate prepared showed a figure of Rs.474,093 instead of Rs.415,908. Attention had not been paid in this regard and payments had been made. As a result, a sum of Rs.58,155 had been overpaid to the National Water Supply and Drainage Board.
- (b) The Value Added Tax and the retentions shown in the Deposit Account upto end of 2013 aggregated Rs.7,244,750. Of this, a sum of Rs.5,659,975 had not been remitted to the Commissioner of Inland Revenue. Instead, this had been transferred to the revenue of the Sabha during the year under review.
- (c) According to the report of the board of survey furnished on 06 June 2015 with reference to the year under review, 59 goods at the stores and 595 library books had been damaged. However, action had not been taken in this regard upto 02 September 2015, the date of audit.
- (d) The arrears of rates and taxes prior to the year 2013 amounted to Rs.7,922,707. In order to recover Rs.872,688 out of this amount, a sum of Rs.104,723 representing 12 per cent had to be paid as commission. However, a total sum of Rs.132,560 had been paid as commission for the sum of Rs.231,975 recovered on behalf of the year under review. Accordingly, a sum of Rs.27,837 had been overpaid.

3.2 Idle Assets

The following observations are made.

- (a) The construction activities pertaining to 64 stalls at the public market complex had been completed 2 years ago. However, so far action had not been taken to give 06 stalls on lease.
- (b) A slaughter house had been constructed at Sammanthurai by spending Rs.15,013,071 under the financial provision of puraneguma (NELSHIP) programme. This remained idle upto the date of audit, that is 02 September 2015, as there was no plan for disposal of remnants at the slaughter house.

4. Systems and Controls

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

- (i) Accounting
- (ii) Fixed Assets Control
- (iii) Revenue Administration