

Ampara Urban Council

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 19 April 2017 and the financial statements for the preceding year had been presented on 03 June 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Council on 29 September 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 the financial position of the Ampara Urban Council 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 Policies

The accounting policies adopted in preparation of the accounts for the year 2016 by the Council had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) Even though, the value of refundable deposits as at 31 December 2016 amounted to Rs.12,400,292, it was shown as Rs.9,421,234 in the financial statements. As such, refundable deposits had been understated by Rs.2,979,058.
- (b) The value of the unsettled advances as at 31 December 2016 amounting to Rs.53,390 had not been shown under current assets in the balance sheet.
- (c) Even though, the arrears of trade stall revenue as at 31 December 2016 amounted to Rs.1,274,616, that was shown as Rs.946,825 in the financial statements and as such it was understated by Rs.327,791.

- (d) As per the ledger as at 31 December 2016, the trade stall revenue, court fines revenue and stamp fees revenue amounted to Rs.5,641,036. But, it was shown as Rs.5,059,086 in the financial statements and as such it was understated by Rs.581,950.
- (e) As per the ledger as at 31 December 2016, the trade licence revenue amounted to Rs.1,346,200, but it was shown as Rs.1,760,000 in the financial statements. As such it was overstated by Rs.413,800.
- (f) The acreage tax revenue of Rs.176,000 as at 31 December 2016 had not been shown in the financial statements.
- (g) Even though, the Value Added Tax as at 31 December 2016 amounted Rs.3,337,181 it was shown as Rs.3,106,385 in the financial statements and as such it was understated by Rs.230,796.

1.3.3 Unreconciliations

The differences were observed between the opening balances shown in the account as at 01 January 2016 and the balances as per the account as at 31 December 2015. A Journal entry for these differences had not been furnished to audit. Details appear below.

Particulars of Accounts	Balance as at 31 December 2015	Balance as at 01 January 2016	Difference
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	Rs.	Rs.	Rs.
Cash	8,681,805	8,660,667	21,138
Security for Contract agreements	422,834	-	422,834
Library Deposits	16,130	21,780	5,650
VAT	3,087,182	3,106,386	19,204
Rest House Charges	729,626	851,193	121,567
Working Capital	32,330,200	29,860,792	2,469,408

1.3.4 Lack of Evidence for Audit

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

Item of Account	Value	Evidence not made available
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	Rs.	
Debtors	26,551,896	Age analysis of debtors, balance confirmations
Creditors	4,031,236	Age analysis of creditors.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Council for the year ended 31 December 2016 had resulted in an excess of revenue over recurrent expenditure amounted Rs.9,027,064 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.5,919,316 in the preceding year. Accordingly, an improvement of Rs.3,107,748 was shown in the financial results.

2.2 Analytical Financial Review

An increase in a range from 09 per cent to 57 per cent was shown with regard to the revenue sources such as rates and taxes, lease rent, service charges and other revenue during the year under review as compared with the preceding year, while a decrease in a range from 16 per cent to 18 per cent was shown with regard to revenue sources such as licence fees and warrant charges.

An increase in a range from 52 per cent to 432 per cent was shown with regard to the expenditure items such as repairs and maintenance of capital assets, travelling, supplies and equipment during the year under review as compared with the preceding year and a decrease up to 70 per cent was shown with regard to the expenditure item of pensions and pensions benefits.

2.3 Revenue Administration

2.3.1 Rates and Taxes

Rates and taxes recoverable from the year 2012 up to 31 December 2016 amounting to Rs.21,144,135 had not been recovered.

2.3.2 Lease Rent

As per the financial statements as at 31 December of the year under review, the trade stall revenue receivable amounting to Rs.946,825 had not been recovered.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) The Value Added Tax amounting to Rs.3,337,181 collected by the Council from the year 2009 to 2012 had not been remitted to the Department of Inland Revenue even by the end of the year under review.

- (b) As per the Stamp Duty Act (Special Provisions) No.12 of 2006, stamp duty amounting to Rs.67,940 which should be remitted to the Department of Inland Revenue within 15 days after the end of a quarter had not been remitted.
- (c) As per the Value Added Tax (revised) Act No.20 of 2016, if taxable revenue more than Rs.12 million the registration for the Value Added Tax should be made. Even though, the taxable revenue of the Council for the year 2016 amounted to Rs.29,830,800, the Council had not registered for the Value Added Tax.
- (d) The ownership of 39 lands which were utilized by the Council had not been vested with the Council.
- (e) Action in terms of Financial Regulation 571 (2) had not been taken on deposits over 02 years valued at Rs.910,164.

3.2 Contract Administration

3.2.1 Construction of Public Park Ampara under Deyata Kirula Programme

- (a) Even though, the construction of the kitchen of the park had been completed by incurring Rs.4,432,775 and had been handed over to the Council on 02 July 2014, that building had remained idle without being utilized for any of the purpose even up to 18 July 2017.
- (b) The rubber carpets purchased by incurring Rs.352,000 on 29 August 2014 for the purpose for laying on the ground in the place where the children's sports equipment fixed in the park had been stored without being utilized.
- (c) The construction of jetty and retaining wall close to the park had been completed at an expenditure of Rs.02 million and had been handed over to the Council on 29 October 2014. Nevertheless, the expected purpose had not been achieved as the provisions of Rs.1.5 million received for purchasing of boats required for the jetty had not been utilized and the jetty had been constructed as not flowing the water of the tank close to the jetty.

4. Accountability and Good Governance

4.1 Budgetary Control

Variations ranging from 02 per cent to 267 per cent were observed between the budgeted expenditure and the actual expenditure in the year under review, thus indicating that the Budget had not been made use of as an effective instrument of management control.

4.2 Annual Procurement Plan

A Procurement Plan for the year 2016 had not been prepared by the Council in terms of the National Budget Circular No.128 issued on 24 March 2006.

5. Systems and Controls

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

System	Area needed attention
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(a) Accounting	i Accounting of Assets. ii Preparation of journal entries.
(b) Revenue Administration	i Recovery of arrears of revenue. ii Imposing of by-laws. iii Identification of revenue sources.
(c) Budgetary Control	- Preparation of the Budget Properly.
(d) Stores Administration	- Storing of goods in a manner to check accuracy quickly.
(e) Assets Control	- Vesting of ownership of the fixed assets.