

**Irakkamam Pradeshiya Sabha**

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**Ampara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year 2016 had been submitted to Audit on 24 March 2017 and financial Statements for the preceding year had been submitted to Audit on 31 March 2016 respectively while the Auditor General's Report relating to the year 2016 was sent to the Secretary of the Sabha 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, financial statements give a true and fair view of the financial position of the Irakkamam Pradeshiya Sabha 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**

Accounting policies which had used in preparation of the accounts for the year 2016 had not been disclosed in the financial statements.

**1.3.2 Accounting Deficiencies**

Following accounting deficiencies were observed.

- (a) Value of public market building Rs. 4,799,500 which had been constructed under the United Nations Development Project (UNDP) and handed over to the Sabha on 17 February 2016 had not brought to the account.
- (b) A new office building had been constructed by the Ministry of Provincial Council and Local Authorities by destroying the old office building at a cost of Rs. 10 million and even though it was handed over in the year 2011, the difference of values of those two buildings had not been adjusted in the accounts.

**1.3.3 Lack of Evidence for Audit**

Evidence indicated against the following each item of accounts had not been furnished to audit.

<b>Item</b> -----	<b>Value</b> -----	<b>Lack of Evidence</b> -----
	Rs.	
Building	3,476,675	Fixed Assets Register
Meat stall lease receivables	535,277	Balance confirmation letters and details of arrears balances.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs.1,637,187 as compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.2,612,179. As compared with the preceding year a deterioration of Rs. 974,992 in the financial results for the year under review had indicated.

### **2.2 Analytical Financial Review**

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While comparing with the previous year, even though rent, licence fee and other income had been increased from 12 per cent and 65 per cent, Government tax subsidies had been decreased by 10 per cent.

### **2.3 Revenue Administration**

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#### **2.3.1 Rates and Taxes**

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According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to assess and recover rates on 368 business places and 4,673 houses within the Sabha area from the year 2010; therefore nearly an income of Rs. 2,520,500 had been losing annually

#### **2.3.2 Meat stall lease rental**

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Arrears meat stall lease rental amounting to Rs.1,029,223 up to end of the year under review which was outstanding from the year 2003 to 2010 had not been recovered.

## **3. Operational Review**

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### **3.1 Management Inefficiencies**

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Following observations are made.

- (a) Action had not been taken on 17 lapsed deposits exceeding 2 years totalled Rs.291,339 to return to the relevant persons or transfer to revenue as per the Financial Regulation 571.

- (b) Action had not been taken to transfer the ownership of 6 lands to the Sabha where the office building, public library, common market, public playground, and slaughter house were situated.

**3.2 Idle Assets**

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Following observations are made.

- (a) Even though the slaughter house had been constructed near the cemetery at a cost of Rs.1,338,328 under the development aids provision of the Provincial Council in the year 2015, it could not be used since today due to public objections.
- (b) The solid waste recycle centre, which was constructed in the year 2016 at a cost of Rs. 997,147 under the development aids provision of the Provincial Council, was idled without using up to date due to lack of machineries.

**4. System and Control**

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Special attention should be needed in following areas of system and control.

<b>Control Area</b>	<b>Matters should be need special attention</b>
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(a) Fixed Assets Control	Maintaining a fixed assets register.
(b) Revenue Recovery Management	Taking action to recover arrears income.