

Kantale Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 19 April 2013 and the financial statements for the preceding year had been presented on 12 September 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 December 2012.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Kantale Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012. and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kantale Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Policies

The following observations were made.

- (a) The accounting policies adopted in preparation of financial statements had not been disclosed with the financial statements.
- (b) Provision for depreciation had not been made for fixed assets amounting to Rs.24,231,745 which had been used for operating activities and earning of

income. As such, the actual expenditure of the Sabha had not been depicted in the accounts.

#### 1:3:2 Accounting Deficiencies

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The following accounting deficiencies were observed.

- (a) The cost of the Pradeshiya Sabha building constructed in 2011 was Rs.11,881,502. This had not been accounted for, under fixed assets.
- (b) The balance of the accumulated fund account as at end of the year was Rs.48,186,304 as per main ledger. This had been shown Rs.48,508,674 in the financial statement. Accordingly, a difference of Rs.322,370 was observed.

#### 1:3:3 Accounts Receivable

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Action had not been taken to recover the arrears of employees' loans aggregating Rs.1,287,648 which had exceeded a period of one year.

#### 1:3:4 Lack of Evidence for Audit

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Assets and liabilities aggregating Rs.39,617,253 could not be satisfactorily verified in audit due to non-maintenance of register of fixed assets, non- rendition of detailed information regarding values of fixed assets and non- rendition of adequate information regarding transfer of balances of accounts receivable and accounts payable to the Accumulated Fund.

#### 1:3:5 Non-compliance with Laws, Rules, Regulations

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The non-compliance with laws, rules and regulations observed in audit appear below.

Reference to Laws, Rules and Regulations -----	Non-compliance -----
(a) Rule 59 of the 1988 Pradeshiya Sabha (Financial and Administration) Rules published in the Gazette Extra Ordinary No. 554/5 of 17 April 1989.	A survey of business establishments within the area of the Sabha had not been conducted.
(b) Section 1989 16(1) Sub part II of 1988 Pradeshiya Sabha (Finance and Administration ) Rules	A register of movable/immovable properties had not been maintained.
(c) Circular No. 41/90 of 10 October 1990 of the Secretary to the Ministry of Public Administration Provincial Councils and Home Affairs.	Action had not been taken to test consumption fuel by vehicles, every 6 months.
(d) Financial Regulation 396 of the Democratic Socialist Republic of Sri Lanka	Proper action had not been taken with regard to 26 cheques valued at Rs.302,184 which had not been presented for payments for over 6 months.

## 2. Financial and Operating Review -----

### 2:1 Financial Results -----

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha as at 31 December 2012 was Rs.1,533,325 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.18,235,596.

### 2:2 Budgetary Control -----

Instances were observed in audit where the annual budget of the year under review had not been utilized as an efficient tool of management control.

2:3 Revenue Administration

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2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	4,327	5,403	8,955
(ii) Lease Rent	5,437	3,007	1,856
(iii) Licence Fees	424	1,120	--
(iv) Other Revenue	25,405	18,396	18,608

2:3:2 Stamp Fees

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Action had not been taken to obtain the stamp fees aggregating Rs.738,768 due from the Eastern Provincial Council as at 31 December 2012.

2:4 Fixed Deposits

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Fixed deposits amounting to Rs. 4 million deposited on 08 September 2005 had been withdrawn by the Ex-Chairman of the Sabha on 05 January 2010 to be used for development work. A sum of Rs. 01 million had been credited to the current account of the Sabha on that day itself. The balance of Rs. 03 million had not been handed over by him to the Sabha. In this connection, action had not been taken in terms of Chapter XLVIII of Part II of the Establishments Code of the Republic of Sri Lanka.

3. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Human Resources Management