

Kuchchaveli 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 23 August 2013 and the financial statements for the preceding year had been presented on 26 June 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 December 2013.

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 Kuchchaveli 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 Kuchchaveli Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 **Comments on the Financial Statements**

1.3.1 **Accounting Policies**

The Sabha had utilized fixed assets valued at Rs. 97,550,980 for operating activities and for generating income. However, provision for depreciation had not been made in the financial statements on those assets. As a result, the expenditure shown in the financial statements do not reflect the actual expenditure of the Sabha.

1.3.2 **Accounting Deficiencies**

The following accounting deficiencies were observed.

- (a) Stamp duty recoverable for the year under review in terms of Stamp Duty Act No. 42 of 1979 had not been brought to the financial statements.
- (b) The balance of the suspense account amounting to Rs. 1,523 had been shown under current liabilities in the balance sheet without taking action to clear it.

1.3.3 **Accounts Receivable and Payable**

The following observations are made.

- (a) A sum of Rs. 2,354,448 paid for the internally displaced people at Pulmoddai on behalf of the Ministry of Disaster Management and the Commissioner of Local Government had not been recovered from that Institutions.
- (b) The balances of unpaid salaries and wages aggregating Rs. 425,371 had remained unsettled for several years.

1.3.4 **Lack of Evidence for Audit**

The following items in the accounts could not be satisfactorily verified in audit due to non-availability of evidence indicated against each item.

<u>Item</u>	<u>Value</u> <u>Rs.</u>	<u>Evidence not made available</u>
Land and Buildings	37,458,666	Title deeds, Register of Fixed Assets
Plant and Machinery	1,822,623	} Register of Fixed Assets, Board of Survey Report
Motor Vehicles	785,993	
Revenue Debtors	14,331,350	} Detailed Schedules, Confirmation of balances and Age analysis
Pre Payments	11,545,305	
Tender Deposits	584,635	} Detailed Schedules, Age analysis
Unsettled Salary Advances	299,018	
Revenue Deposits	156,650	

2. **Financial and Operating 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 2012 amounted to Rs. 12,388,432

as compared with the excess of revenue over recurrent expenditure amounting to Rs. 7,865,369 for the preceding year.

2.2 **Budgetary Control**

Significant variations were observed between the budget and the actual expenditure thus, indicating that the budget had not been made use of as an effective instrument of management control.

2.3 **Operating Inefficiencies**

The following observations are made.

- (a) Securities had not been obtained from the officers who are administratively responsible for the custody of public money or stores in terms of Rule 180 of Chapter IX of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988 Published on Special Gazette No. 554/5, dated 17 April 1989.
- (b) Action had not been taken on 130 unrepresented cheques valued at Rs. 512,368 issued prior to the year 2010 in terms of Financial Regulation 237 of the Eastern Province.
- (c) Vehicle log books and daily running charts had not been updated in terms of Dinancial Regulation 432 of the Eastern Province.

3. **Systems and Control**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Control over Assets
- (d) Stock Control
- (e) Settlement of Advances