

Akkaraipattu Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 21 May 2014 while Financial Statements relating to the preceding year had been submitted on 11 April 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 24 December 2014.

1.2 Qualified Opinion

In my opinion, except for the effect 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 Akkaraipattu Pradeshiya Sabha at 31 December 2013 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 Non- compliance with Sri Lanka Public Sector Accounting Standards

Financial Statements had not been prepared according to Public Sector Accounting Standards of Sri Lanka as per Circular No.PL/05/PA/SFPSAS dated 27 January 2014 of the Secretary to the Minister of Local Government and Provincial Councils.

1.3.2 Accounting Deficiencies

Following Accounting Deficiencies were observed.

- (a) Provision for Audit Fees Payable for the year under review amounting to Rs. 8,250 had not been made in the accounts.
- (b) Provision for Electricity Charges, Water Charges and Telephone Charges Payable for the year under review totalling Rs. 16,500 had not been made in the accounts.
- (c) Beef stalls Lease Rent amounting to Rs. 583,000 recovered from the lessees had been recorded in the Deposits Account without being transferred to Revenue Account.

1.3.3 Accounts Receivable

Action had not been taken to recover the loan balance of Rs. 4,500 due from 03 officers who left on transfers during the year 2010 from the institutions where they were transferred.

1.3.4 Non –compliances with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules, regulations and Management Decisions were observed.

Reference to laws, rules, regulations etc.

Non-compliance

(a.) Code of Pradeshiya Sabha (financial and Administrative) Rules

(i.) Chapter 1 Clause 5 (XII)

- Although duties relating to handling cash, stores and signing cheques had been assigned to three officers, security money had not been obtained from them.

- (ii.) Chapter X Clause 191 - Thirteen Sabha Meetings had been held during the year under review. Certified copies of reports of those meetings had not been furnished to audit.
- (iii.) Chapter X Clause 193 - A statement giving details relating to Revenue and Expenditure comparing with the Budget for the year under review, together with reasons for variations had not been prepared and furnished to the Auditor General.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.472,393 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.4,427,133 indicating a decline of Rs.4,427,133 in the financial results.

2.2 Revenue Administration

2.2.1 Court Fines and Stamp Fees

Following matters were observed.

- (a) Court Fines amounting to Rs. 500,000 was due to be obtained from the Chief Secretary to the Eastern Provincial Council up to 31 December 2013.
- (b) Stamp Fees amounting to Rs. 4,100,000 was due to be obtained from the Registrar General as at 31 December 2013.

2.2.2 Other Revenue

Following observations are made.

- (a) Revenue of Rs. 60,000 to be recovered to the Sabha for the year under review connected with 04 Publicity Advisement Boards placed by private institutions for advertising their trading goods in the area of authority of the Sabha and 02 Telecommunication Towers erected by a Telecommunication Institute had been lost, due to non-enforcement of by-laws for collection of revenue by the .Sabha in terms of Section 126 the Pradeshiya Sabha Act No. 15 of 1987.

- (b) Action had not been taken to recover Beef Stalls Lease Rent amounting to Rs.21,301 relevant to the period from the year 2012 to 2013.

3. Operating Review

3.1 Management Inefficiencies

Action had not been taken to remit Value added Tax amounting to Rs. 40,716 recovered from the contractors during the period from the year 2008 to end of the year 2012, to the Commissioner General of Inland Revenue up to the date of audit, 15 June 2014.

4. Accountability and Good Governance

4.1 Internal Audit

Although it had been stated that, each Local Authority should establish an Internal Audit Section according to their capacity, vide clause 8 in Local Government Restructure Circular No. 3 dated 08 November 2005 of the Ministry of Provincial Councils and Local Government, an Internal Audit Section had not been established.

5. Systems and Controls

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

- (a) Accounting
- (b) Fixed Assets Management
- (c) Revenue Collection