

Alayadivembu 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 15 July 2014 while Financial Statements relating to the preceding year had been submitted on 03 May 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 Alayadivembu 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) The sum of Rs. 232,185 received direct to the Bank account of the Sabha had not been identified and taken to accounts.
- (c) The sum of Rs. 27,083 paid direct by the Bank on behalf of the Sabha had not been identified and taken to accounts.
- (d) Beef Stalls Lease money amounting to Rs. 698,400 recovered during the year under review had been kept in the Deposits Account without being transferred to Revenue Account.
- (e) The sum of Rs. 89,500 recovered from the General Public in connection with environmental protection during the year 2012 had been kept in the Deposits Account without being transferred to Revenue Account.

1.3.3 Accounts Receivable

Action had not been taken to recover a Loan Balance of Rs. 39,900 outstanding to be recovered from a deceased officer from his pension gratuity or inheritors.

1.3.4 Lack of Evidence for Audit

Evidence shown in front of following items in the financial statements had not been furnished to audit.

Item -----	Value -----	Evidence not Furnished -----
	Rs.	
Land and Buildings	104,183,166	Register of Land and Buildings
Equipment and Machinery	167,466	Register of Fixed Assets, Detailed Schedules relating to Assets and Board of Survey Report
Motor Vehicles and Carts	1,871,290	
Office Equipment	114,240	
Furniture and Fittings	139,525	
Library books	1,390,525	Register of Library Books

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

Following instances of non-compliance with Laws, Rules and Regulations were observed in audit.

Reference to laws, rules, regulations etc.	Non-compliance
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|---|--|
| (a.) Sections 12(1) and (2) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 31(1) in the Gazette Notification No. 488/16 dated 13 January 1988 of the Ministry of Local Government and Construction Industries | - Sub Committees on Finance, Policy Planning, Housing Constructions, Social Development, Technical Services Environmental and Common Amenities had not been appointed to enable in broad decisions, with a view to facilitate functions of the Pradeshiya Sabha. |
| (b.) <u>Code of Pradeshiya Sabha (financial and Administrative) Rules of 1988</u>
Chapter X Rule 217 | - A register of all Lands and Buildings used by the Sabha had not been maintained. |

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. 3,523,627 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 957,526 indicating an improvement of Rs. 2,566,150 in the financial results.

2.2 Revenue Administration

2.2.1 Rates and Taxes

Action had not been taken by the Sabha to recover Rates from Lands, Houses and Buildings situated in the area of authority of the Sabha in terms of Section 134 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Other Revenue

Following observations are made.

- (a) Revenue of Rs. 82,960 to be recovered to the Sabha for the year under review connected with 03 Publicity Advisement Boards placed by private institutions for advertising their trading goods in the area of authority of the Sabha had been lost due to non-enforcement of by-laws for collection of revenue by the .Sabha in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987.
- (b) Beef Stalls Lease Money in arrears amounting to Rs. 546,318 that had been outstanding for the period from the year 1988 to 2012 had been shown continuously in the financial statements without action being taken to recover up to the end of the year under review.
- (c) State Taxes Debtors in arrears amounting to Rs. 31,480 that had been outstanding for the period from the year 2002 to 2012 had been shown continuously in the financial statements without action being taken to recover up to the end of the year under review.
- (d) Action had not been taken up to 10 July 2014, to recover License Fees amounting to Rs. 164,000 for the period from the year 2009 to the year 2013 in connection with 02 Telecommunication Towers erected in the area of authority of the Sabha according to the Gazette Notification No. 1644 dated 05 March 2010 of the Democratic Socialist Republic of Sri Lanka.

2.2.3 Court Fines and Stamp Fees

Following observations are made.

(a) Court Fines

Action had not been taken to get Court Fines amounting to Rs. 2,220,803 receivable as at 31 December 2013 imposed through Magistrate Courts under various Ordinances, due to be obtained from the Chief Secretary to the Eastern Provincial Council up to 31 December 2013.

(b) Stamp Fees

Action had not been taken to get Stamp Fees amounting to Rs. 1,971,148 receivable as at 31 December 2013 from the Registrar General.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

(a) Action had not been taken to remit Value Added Tax and Goods and Services Tax totalling Rs. 433,811 recovered during the year 2008 and shown in the Deposits Account up to the end of the year 2012, to the Commissioner General of Inland Revenue.

(b) Action had not been taken to remit contributions to Employees Provident Fund amounting to Rs. 167,454 recovered during the years 2006 and 2007 to the Employees Provident Fund.

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) Contracts Administration
- (c) Fixed Assets Control
- (d) Revenue Administration
- (e) Budgetary Control